



## SHOFU INC. INTEGRATED REPORT

# 2025

<https://www.shofu.com/global>



PROVEN PRODUCTS FOR BETTER DENTISTRY

### SHOFU INC.

Headquarters:  
11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan



Creating Brighter Smiles  
for Healthier Lives.





## Corporate Philosophy

### Contribution to dentistry through innovative business activities

A major role of dentistry is to maintain oral function at all life stages, and support people's ability to live their lives. Through the development, manufacture, and sale of superior dental materials and equipment, Shofu aims to contribute to better dentistry, together with dental professionals.

## Corporate Message

### Creating Brighter Smiles for Healthier Lives.

On the occasion of our 100th anniversary, we canvassed the opinions of our employees about the kind of corporate image that Shofu should project. Their feedback provided the basis for the creation of this Corporate Message. It conveys our strong intent to deliver all over the world products that embody Shofu's advanced technologies and excellent quality and to support people's well-being.

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### Editorial policy

We prepared this integrated report in the hope that our shareholders, investors, and other stakeholders will deepen their understanding of our social and economic value creation through reporting on our management strategies, business activities, and ESG activities, among others. We will continue to use this integrated report as a communication tool with our stakeholders. In editing this report, we have referred primarily to the "Guidance for Collaborative Value Creation" by the Ministry of Economy, Trade and Industry of Japan.

### Period covered by the report

The fiscal year ended March 31, 2025 (April 1, 2024 through March 31, 2025) is the primary period covered by this report. This period is also expressed as FY2024 or FY2025/3. The report also includes information for periods before or after the period above.

### Scope covered by the report

SHOFU INC. and its consolidated subsidiaries (Some activities are relevant to SHOFU INC. alone.)

### Forward-looking statements

Forward-looking information in this report including earnings forecasts is based on projections and forecasts in light of information currently available to us and is subject to potential risks and uncertainties, among other factors. As a result, actual results may differ materially from those we currently anticipate due to changes in various factors.

# Shofu in Numbers

**Founded in 1922**

Since our founding, we have contributed to the advancement of dental care through the continuous development of superior dental materials and equipment.

**Net sales 38.6 billion yen**

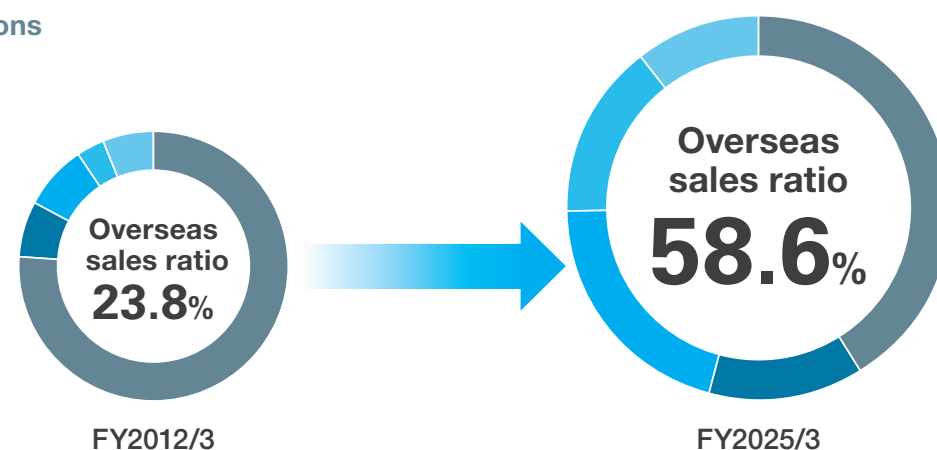
Carrying forward our founder's ambitious aspiration to improve the quality of domestic products, since our establishment in 1922, we have introduced numerous pioneering products, some of which were the first of their kind in Japan or even the world to the market.

From 2012, when we began shifting our management resources overseas in earnest, we have achieved significant growth. For the fiscal year ended March 31, 2025, we recorded sales of 38.6 billion yen, marking a fourth consecutive record high. Keeping our founder's vision in mind, we will continue contributing to dentistry through innovative business activities.

## Expanding our contribution to dentistry worldwide while advancing regional decentralization

### Ratio of sales by regions

- Japan
- North America/ Central and South America
- Europe
- China
- Other Asia/ Oceania



## Our highly competitive products

We have achieved a high market share in the field of dental materials, and earned the trust of dental professionals.

### Abrasive products market share Top in Japan

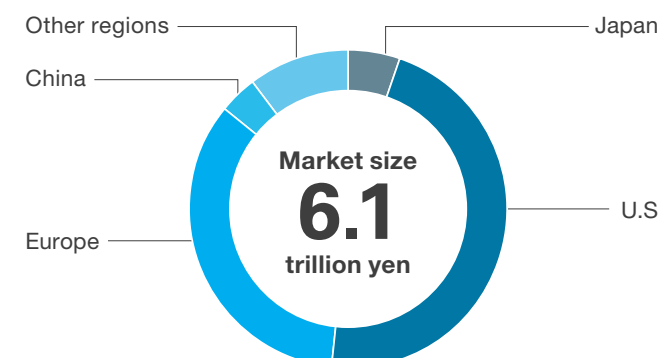


### Artificial teeth products market share Top in Japan



## The growing global dental care market (2024)

### Global dental care equipment market size



Annual growth rate for  
2019 to 2024

**Growth rate**  
6.7%

(global GDP annual growth rate: 4.6%)

Global dental care equipment market size and number of dentists: prepared by Shofu based on Worldwide Medical Devices Market Fact Book March 2025 (Fitch Solutions)



Global dental market  
Number of dentists

Number of dentists in  
the world  
Approximately  
**3.27 million**

Number of dentists in  
Japan  
Approximately  
**0.1 million**



Ratio of overseas  
employees **50.1%**

Pharmaceutical  
approval / registered  
countries **99**

Number of  
employees **1,413**

## Foundation for growth supported by technology

We continue to engage in research and development efforts, steadily accumulating technological achievements such as the creation of new products and patents.

Ratio of sales of  
new products\* to net  
sales **14.6%**

Products within 36 months of launch

Number of patents  
held **490**

Ratio of R&D expenses  
to net sales **5.1%**



## Growth Trajectory

## Aiming to contribute to dentistry worldwide



Since its founding in 1922, Shofu has played a leading role in the industry, developing many worldfirst and Japan-first products. We began expanding overseas in the 1970s offering these products, and since 2012, when we launched our long-term vision, the 50-billion-yen vision, we have been working to accelerate our global expansion.



## Long-term trend in net sales

- Overseas sales (consolidated)
- Domestic sales (non-consolidated)
- Domestic sales (consolidated)



Founding

1972 Established production site in Shiga Prefecture

1991 Acquired ADVANCED HEALTHCARE LTD. in the UK as a subsidiary

1978 Established sales office in Germany

1971 Established sales office in the United States

1922

1960

1970

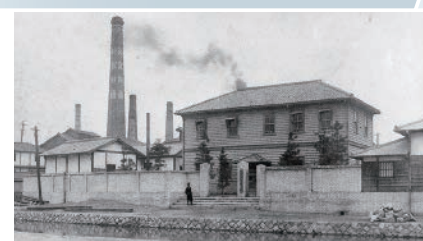
1980

1990

Development of Japan's first high-quality porcelain teeth

Growth supported by unique products

Bold management reforms led to the third establishment



1922: Photo of SHOFU DENTAL Mfg. Co., Ltd. at the time of establishment



1965: Began selling the world's first dental spherical amalgam



1989: Became the first listed company in the dental industry

Things we have not changed: Our starting point—why we do what we do.  
Things we have changed: The means of achieving it.

## Things we must never change

- Spirit of integrity in manufacturing
- Relentless commitment to professionalism
- Collaborative creation with dental professionals
- Decision-making rooted in our corporate philosophy
- Pride and trust in our brand

## Things that continue to change

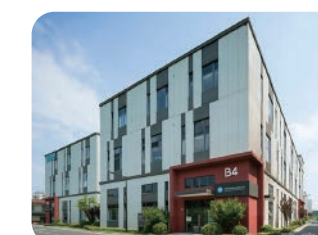
- Updating technology and value
- Product development in response to market needs
- Expansion of overseas sales channels and business scale
- Customer support systems that foster trust
- Responsiveness to social issues



2005 Established sales office in China  
Acquired SHOKEN INC. (now: SHOFU PRODUCTS KYOTO INC.) as a wholly-owned subsidiary



2015 Acquired MERZ DENTAL GmbH, a German-based artificial tooth manufacturer, as a subsidiary



2024 Established a second production site in China (Changzhou)

2020 Established production site in Vietnam

2017 Established sales office in Brazil and India

2013 Established sales office in Singapore

2003 Established production site in China (Shanghai)

Strengthened sales and production infrastructure for further overseas growth

2000

2010

2020

2024

As a company targeting the world

Entering the global market with our proprietary products

Toward the achievement of the 50-billion-yen vision



1994: Obtained certification under the U.K. quality assurance standard (GMP)



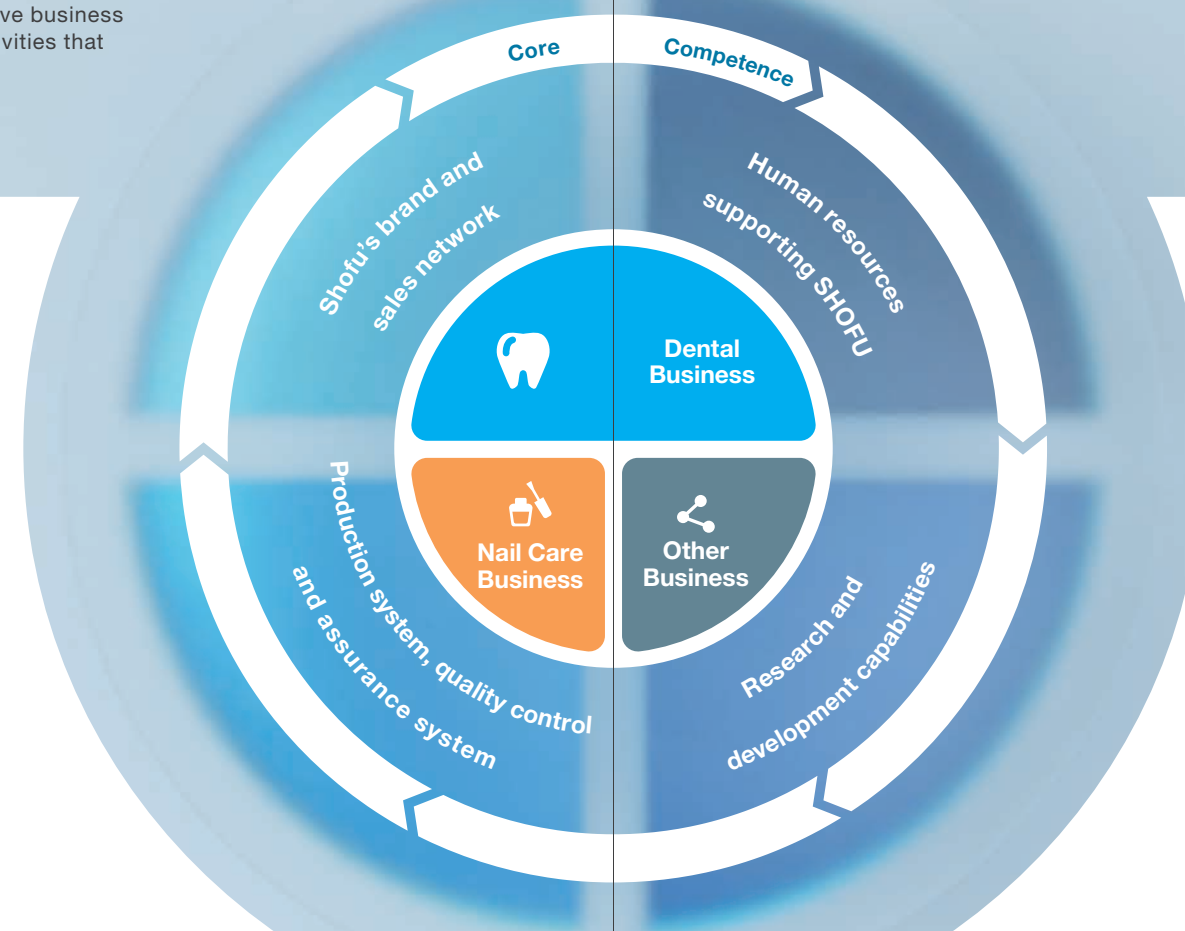
2000: Began selling the BEAUTIFIL, a product containing proprietary S-PRG filler technology



2023: President Takami made a declaration of resolve at the 100th Anniversary Commemorative Ceremony

# Shofu's Value Creation Process

Based on our corporate philosophy of "Contribution to dentistry through innovative business activities," we aim to create economic and social value by pursuing business activities that utilize our wealth of resources and robust business foundation.



Increase in world population, especially in emerging countries, and increase in income levels

**Manufactured capital**

The arrival of an aged/super-aged society and expectations for achieving a society of health and longevity

**Financial capital**

Changes in the disease structure and rising aesthetic awareness in dentistry, growing needs for medical-dental collaboration

**Human capital**



**Economic value**

Group net sales of  
**50.0 billion yen**  
(domestic: 17.0 billion yen, overseas: 33.0 billion yen)

Group operating income of  
**7.5 billion yen**  
(Ratio of operating income to net sales: 15%)

Investment in growth fields  
Consistently increasing cash flow

Corporate philosophy

Contribution to dentistry through innovative business activities

External environment

Corporate resources

Long-term vision /

sources of competitiveness and businesses

Value created

Responding to government policies to curb medical expenses and increasingly sophisticated and complicated laws and regulations in various countries

**Intellectual capital**

Technological innovation, evolution of treatment technologies, and rapid progress and development of digitalization in business

**Social and relationship capital**

Increasing severity of natural disasters and epidemics

**Natural capital**

**Long-term vision "50-billion-yen vision"**

**Medium- to long-term material issues**

## R&D

Development and introduction of new products that match local demands and needs

## Human resources

Development and securing of human resources to actively promote overseas operations

## Production

Relocation of production sites and expansion of offshore production to reduce costs and increase production volume

**Material issues**

Contribution to higher QOL of people

Promotion of corporate activities friendly to global environment

Increase our contribution to and presence in dentistry across the world

## Finance

Capital procurement in response to increasing capital requirements

## Sales

Improvement of our sales network and sales offices and establishment of domestic and international academic networks

## Group governance

Strengthening the group governance system

Strengthening of the management base to support corporate value enhancement

Cultivation of a rewarding organizational culture and development of human resources



**Social value**

## Patients

Contribution to longer healthy life expectancy and higher QOL

## Business partners and dental professionals

Long-term partnerships and shared prosperity  
Supply of high-quality products in a stable fashion

## Shareholders and investors

Sustainable growth in corporate value and appropriate and stable returns to shareholders

## Local communities

Co-existence and co-prosperity with local communities

## Employees

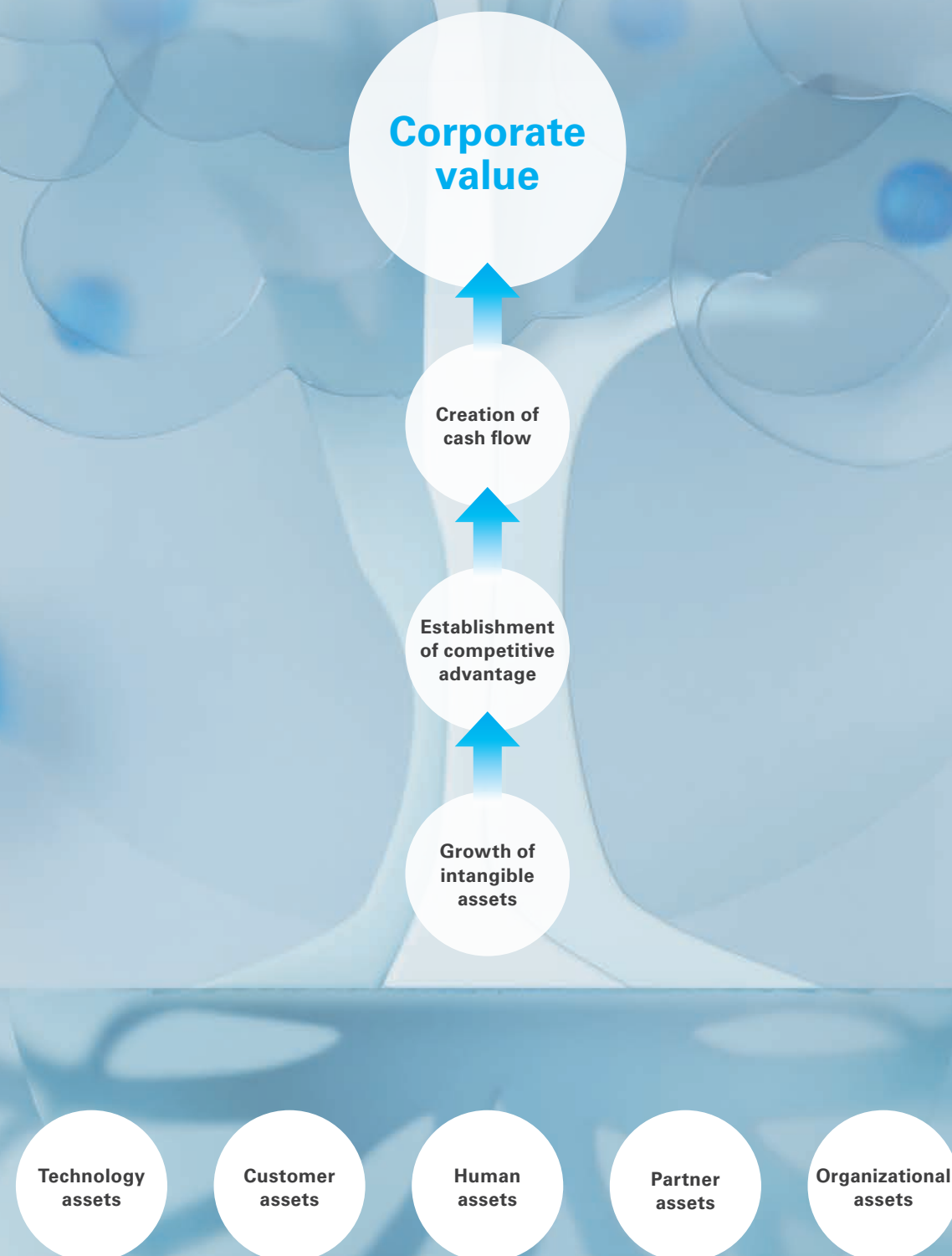
Maintaining stable and continuous employment  
Promoting diversity and offering satisfaction

ESG



# Corporate Value Improvement Logic Tree

Based on its corporate philosophy of “Contribution to dentistry through innovative business activities,” the Shofu Group will expand its ability to generate cash flow by advancing its medium- to long-term management plan based on intangible assets regarded as sources of competitiveness, such as R&D capabilities, production technology capabilities, human resources, customer networks, and brand power, and engage in advanced governance and sustainability management. We will work to reduce the cost of capital by improving capital efficiency, and aim to sustainably increase corporate value.



## Linking intangible assets to creation of corporate value

By increasing intangible assets, which are a source of corporate value, we aim to create cash flow and increase our corporate value.

Corporate philosophy

Contribution to dentistry through innovative business activities

## Our corporate value

We will work to enhance both economic AND social value simultaneously, thereby increasing corporate value.

$$\text{Increase in corporate value} \uparrow = \frac{\text{03 Creation of free cash flow} \uparrow}{\text{02 Cost of capital} \downarrow - \text{01 Growth rate} \uparrow}$$

01

### Fostering expectations for growth by refining core competencies

Enhancing R&D capabilities / technological assets

Development of global human resources/ human assets

Strengthening production system, quality assurance system / organizational assets

Strengthening the Shofu brand and sales network / customer assets

02

### Lower cost of capital (WACC)

Engage in advanced governance

Pursuit of optimal capital structure

Promoting sustainability management

03

### Creation of free cash flow through the medium- to long-term management plan

Strengthening domestic business base and accelerating growth of overseas business

Product development addressing changing dental care needs

Expansion of supply capabilities and globalization of production systems

## Material issues

Contribution to higher QOL of people



Promotion of corporate activities friendly to global environment



Strengthening of the management base to support corporate value enhancement



Cultivation of a rewarding organizational culture and development of human resources



# Shofu's Material Issues

The Shofu Group has provided value to society through various business activities, including development of superior dental materials and equipment, to continue to be a company that is trusted by society. In order to further promote sustainability management in the future, we have formulated the Basic Policy on Sustainability, which presents the Group's approach to sustainability, and identified four key themes and 16 material issues (materiality) that are linked to them.

## Basic Policy on Sustainability

In our Basic Policy on Sustainability, we have presented four key themes for us to work on: "contribution to higher QOL of people," "promotion of corporate activities friendly to global environment," "strengthening of the management base to support corporate value enhancement," and "cultivation of a rewarding organizational culture and development of human resources."

Details of  
Basic Policy on Sustainability:

<https://www.shofu.co.jp/contents/hp2012/index.php?No=2041&CNo=2012>  
(In Japanese only)



## Process for identification of material issue

Step  
1

### Interviews with outside directors and business divisions

We conducted interviews with our outside directors to ask what they thought were the social issues that we should give priority to and work on from a long-term perspective. In addition, we did interviews with business divisions to ask about the status of the initiatives being taken on our medium-term management plan and the status of our responses to social issues in order to extract social issues, risks, and opportunities related to us.

Step  
2

### Extraction and examination of social issues

We extracted 40 social issues from the following two perspectives: and examination of social issues

- Issues that can be identified by referring to international guidelines, such as ISO26001, GRI Standards, and SDGs
- Issues that can be identified by analyzing social conditions, market environment, and the condition of the Company, in addition to the issues identified through the interviews in STEP 1

Step  
3

### Evaluation of materiality of social issues

Based on the list of social issues we prepared, we analyzed, evaluated, and prioritized them from the following two viewpoints: materiality for stakeholders and materiality for the Company. After discussions at the Sustainability Committee, the Managing Executive Board, and the Board of Directors, we narrowed down the list of themes that we should give priority to and work on.

Step  
4

### Identification of material issues

We prepared a draft of material issues based on the list of themes that had been narrowed down. At the same time, we formulated quantitative and qualitative targets and action plans for each material issue. Their comprehensiveness and validity were confirmed at the Sustainability Committee, and after discussion at the Managing Executive Board, they were resolved at the Board of Directors.

	Material issues	Target Major	Initiatives and Achievements	SDGs
Contribution to higher QOL of people	Quality assurance and stable supply of products	<ul style="list-style-type: none"><li>• Zero product recall arising from quality issues</li></ul>	<ul style="list-style-type: none"><li>• Zero voluntary product recall</li></ul>	
	Ensuring proper use of products	<ul style="list-style-type: none"><li>• Strengthening the system for collecting and evaluating information on safety management</li><li>• Enhancing information provision for proper use of products</li></ul>	<ul style="list-style-type: none"><li>• Established procedures for defect reporting and recalls, etc., at European sales subsidiary</li><li>• Expanded provision of maintenance-related information for machine products</li></ul>	
	Providing products and services that solve issues in dentistry (providing products and services that have positive impact on society)	<ul style="list-style-type: none"><li>• Strengthening partnerships with dental professionals</li><li>• Increasing the number of countries in which our products are sold</li><li>• Strengthening protection and utilization of intellectual property</li><li>• Providing digital products and services continuously</li><li>• Providing preventive products (including Giomer products) and services continuously</li><li>• Increasing the ratio of sales of preventive and digital products to net sales</li></ul>	<ul style="list-style-type: none"><li>• Shofu Dental Club members: 18,766 (18,930)</li><li>• Seminars held for dental professionals: 69</li><li>• Countries where our products are sold: 115</li><li>• Acquired intellectual property rights aligned with management, business, and development strategies</li><li>• Sales of CAD/CAM-related products in Japan: up 29.3% year on year</li><li>• Sales of Giomer products overseas: up 21.9% year on year</li><li>*Giomer products: dental-related products applying the bioactive material S-PRG filler</li></ul>	
	Providing information for higher dental IQ	<ul style="list-style-type: none"><li>• Raising awareness about diseases of and enhancing information provision to the general public</li></ul>	<ul style="list-style-type: none"><li>• Held one public lectures on civic dentistry</li><li>• Called for haiku and senryu poems about teeth and expanded Instagram presence for the dental education site Haiku</li></ul>	
Promotion of corporate activities friendly to global environment	Contributing to a sound material-cycle society	<ul style="list-style-type: none"><li>• Developing recycling systems for product development, materials, etc.</li><li>• Increasing the recycling rate</li></ul>	<ul style="list-style-type: none"><li>• Considered the applicability of plant-derived raw materials in product development, and the recyclability of existing products</li><li>• Recycling rate: 77.8% (82.9%)</li></ul>	 
	Addressing climate change and contributing to a decarbonized society	<ul style="list-style-type: none"><li>• Reducing greenhouse gas emissions by 27% (compared to FY2021)</li><li>• Realizing carbon neutrality by 2050</li></ul>	<ul style="list-style-type: none"><li>• Calculated and disclosed Scope 3 CO<sub>2</sub> emissions for the Shofu Group (in Japan)</li><li>• Shofu Group Scope 1 and Scope 2 CO<sub>2</sub> emissions: 5,372tCO<sub>2</sub> (5,791tCO<sub>2</sub>)</li><li>*Of which CO<sub>2</sub> emissions in Japan: 2,936tCO<sub>2</sub> (3,498tCO<sub>2</sub>)</li></ul>	
	Preventing environmental pollution	<ul style="list-style-type: none"><li>• Maintaining our record with zero environment-related accident</li></ul>	<ul style="list-style-type: none"><li>• Zero violations of environmental laws and regulations</li></ul>	
Strengthening of the management base to support corporate value enhancement	Respect for human rights	<ul style="list-style-type: none"><li>• Promoting understanding of human rights policy and initiatives throughout the Group</li><li>• Promoting sustainable procurement in our supply chain</li></ul>	<ul style="list-style-type: none"><li>• Conducted in-house human rights training, established human rights consultation desk, etc.</li><li>• Introduced a supply chain risk management system</li></ul>	
	Enforcing thorough compliance	<ul style="list-style-type: none"><li>• Zero serious compliance violation</li></ul>	<ul style="list-style-type: none"><li>• Zero serious compliance violations</li><li>• Conducted internal training on compliance and related topics</li></ul>	
	Promotion of risk management	<ul style="list-style-type: none"><li>• Implementing highly effective business continuity management</li></ul>	<ul style="list-style-type: none"><li>• Introduced EDR and monitoring services</li><li>*EDR: Technologies and processes for detecting and responding to malicious activities and security incidents at endpoints (devices and terminals connected to networks).</li><li>• Established a basic risk management policy and built an implementation framework</li></ul>	 
	Strengthening corporate governance	<ul style="list-style-type: none"><li>• Strengthening group governance</li><li>• Building a highly effective corporate governance structure</li></ul>	<ul style="list-style-type: none"><li>• Revised Board of Directors regulations for all subsidiaries</li><li>• Conducted third-party board effectiveness evaluations and addressed identified issues</li></ul>	
	Disclosing information appropriately and having dialogue with stakeholders	<ul style="list-style-type: none"><li>• Conducting surveys, questionnaires, and dialogue with stakeholders and taking measures for improvement</li><li>• Enhancing the quality and quantity of information disclosure</li></ul>	<ul style="list-style-type: none"><li>• Proactively conducted shareholder surveys and investor meetings</li><li>• Conducted overseas roadshows</li><li>• Implemented simultaneous disclosure of financial results and timely disclosure materials in Japanese and English</li></ul>	
Cultivation of a rewarding organizational culture and development of human resources	Enhancing employees' health and ensuring safety in work environment	<ul style="list-style-type: none"><li>• Maintaining our record with zero serious industrial accident</li><li>• Raising employees' awareness about health (including oral health care)</li></ul>	<ul style="list-style-type: none"><li>• Frequency rate: .00 (1.87)</li><li>• Certified under the 2025 KENKO Investment for Health Program</li><li>• Conducted harassment training</li></ul>	
	Promotion of human resource development	<ul style="list-style-type: none"><li>• Strengthening our support for employees' career development</li></ul>	<ul style="list-style-type: none"><li>• Identified career paths, personnel requirements, and skill maps</li><li>• Implemented measures for developing next-generation leaders, global human resources, and DX specialists</li></ul>	
	Promoting diversity and inclusion	<ul style="list-style-type: none"><li>• Increasing the ratio of female managers</li></ul>	<ul style="list-style-type: none"><li>• Ratio of female managers: 3.9% (3.0%)</li><li>• Ratio of female hires: 37.2% (21.6%)</li></ul>	
	Realizing work-life balance	<ul style="list-style-type: none"><li>• Increasing employee satisfaction</li></ul>	<ul style="list-style-type: none"><li>• Paid leave utilization rate: 79.2% (79.7%)</li></ul>	

Figures in parentheses show last year's results.



# Embracing change with a focus on dentistry: Carrying forward our philosophy and the future

## Key messages

**We will rediscover what makes us who we are and pioneer the future of dental care.**

We will return to our founding principles and philosophy, and continue to evolve in a way that is befitting of Shofu.

**We will leverage the shift in mindsets in the dental industry and engage in improvement activities to enhance our corporate value.**

New challenges and expanding interdepartmental collaboration are beginning to foster a changing corporate culture. The mindset of taking ownership of the future is spreading steadily.

**We will broaden our domains, regions, and technologies, building on our core strength in dentistry.**

Staying rooted in dentistry, we will strive to create broader, deeper, and more diverse value.

This idea is now clearly stated in our corporate philosophy of “Contribution to dentistry through innovative business activities.” Along with our corporate message of “Creating Brighter Smiles for Healthier Lives,” it indicates the direction in which we should be heading. Through dental care, we aim to be a company that is close to people’s lives, supporting healthy and positive lifestyles. Those ideas are contained in this philosophy.

It is more than just a slogan. It guides the behavior and decisions of every employee, providing a moral compass in our daily work. When faced with new challenges or difficult decisions, this philosophy serves as a guiding principle and provides an unwavering framework for our decision-making.

In recent years, the relationship between periodontal disease and systemic diseases (such as diabetes, heart disease, and dementia) has become clear, and collaboration with the medical field has been attracting attention. Dentistry has come to play a role as a “gateway to protecting health,” and I feel that society as a whole is beginning to recognize its importance once again.

Additionally, with advancements in technological innovation and digitalization, dentistry has entered a new phase of growth. The needs of patients are also diversifying, and we are in an era where higher-quality products that are safer and easier to use are required. Especially in Japan, given population aging and the constraints of medical resources, the role of dentistry will become increasingly important in the future.

I believe that determining what society expects of us while continuing to ask how to find answers that are unique to us is the key to Shofu maintaining trust in this era of change.

Now is the time to reconsider what the essence of Shofu really is. I believe that asking these questions will give us the strength to move forward into the next stage of our future.

**Corporate philosophy and raison d’être  
—An evolution through change with dentistry as our enduring core—**

In addition to developing products and technologies, we have also been engaged in academic activities and human resources development, and have continued to explore how we can contribute to society, with a focus on dentistry. Rather than simply making things, we have always had a perspective of improving the quality of dental care itself. I believe that this is the raison d’être for our company, the significance of our existence in society.

For example, our journey began with dentures (porcelain teeth), but our business has since expanded to grinding, bonding, restoration, aesthetics, prevention, and, in more recent years, to the digital realm. Behind this development is

In such times, now that we have been in business for over 100 years, I wanted us to go back to our roots. Why was this company created, and why have we continued to focus on the field of dentistry? I felt that re-examining our roots would be a good starting point for moving forward. Because we are in an era of great change, I believe that it is even more important to have an attitude of confirming our own foundation.

Our origin lies in our founder’s belief that, in the field of dentures, which at the time was dominated by imported products, “Japanese teeth should be made by Japanese people.” This was not just about product development, but was supported by a strong sense of mission to improve dental care in Japan with our own hands. Our voluntary approach to addressing social issues remains at the core of our corporate activities.

高見 哲夫

Tetsuo Takami

Representative Director, PRESIDENT & COO

**Pursuing our corporate philosophy and inheriting the aspirations of our founder  
—Revisiting the origins of our 100-year journey—**

The field of dentistry has undergone significant changes over the past 100 years.

Especially in recent years, the role of dental care has expanded to include not only treatment but also protection, nurture, and adjustment, and I have a strong feeling that values such as prevention and aesthetics have permeated within the field. There is a growing awareness that oral health is deeply related to overall health and quality of life (QOL), and I feel that the significance of dental care is being greatly questioned.



the attitude of asking “what technologies are really needed by society” and continuing to take on challenges on our own. No matter how much the scope of our business expands, we have a philosophy rooted in creativity and contribution to dentistry, which is the unshakable core of our company.

We have also pursued the provision of products that are truly required in the field by working closely with educational institutions such as universities, as well as dentists, dental hygienists, and dental technicians who work with patients on a daily basis. In addition to delivering products, we share issues with professionals in the field and accumulate improvements that contribute to ease of use, treatment effects, and patient satisfaction. This attitude is rooted in a sense of duty to improve the quality of dental care, and it can be said that this is the practical manifestation of our philosophy. We are proud that these efforts have been held in high regard and that we have been highly trusted by dental professionals both in Japan and internationally over the years.

We have also applied the materials design and other technologies we have developed in dentistry to boldly tackle challenges in different fields, such as the nail business. Even in fields other than medical care, the perspective of how to use our technologies for the benefit of society is deeply connected to our corporate philosophy. Especially in the nail field, where both functionality and beauty are required, LED light curing technologies and aesthetics, both of which we have refined in the field of dental materials, are being utilized. I feel that the journey of seeking evolution in a way that meets the needs of consumers while being rooted in expertise is truly symbolic of Shofu’s identity.

In a time when technological innovation and business diversification are required, what we have always valued is not to lose the focus of contributing to dentistry. I believe it is because of this focus that we can take on new challenges without hesitation and maintain the trust of professionals in the dental industry.

Certainly, it may be true that the attitude of specializing toward dentistry may sometimes seem conservative. However, this is what enables us to deepen and refine our expertise, continuing to deliver valuable technologies and products to a changing society. More than a specialism, it is a foundation that fosters a depth and trust that is unique to Shofu. That is what we believe.

With the philosophy of “Contribution to dentistry through innovative business activities” in mind, I would like us to continue to be a company that responds flexibly to changes and continues to be needed by society, while focusing on dentistry.

### 50-billion-yen vision and progress of the Fifth Medium-Term Management Plan —Realizing a step towards improving corporate value—

We have made a very good start to the first year of our Medium-Term Management Plan, which started in FY2025/3. Both sales and profit have exceeded our plan targets, and we are steadily making progress toward achieving the targets of net sales of 50 billion yen, operating income of 7.5 billion yen, and operating profit margin of 15% in FY2028/3, as outlined in our long-term vision established in 2012. [p.19 ▶](#)

These achievements are supported by our ability to execute as a united company. In addition to the competitiveness of our products and progress in overseas expansion, our organizational efforts integrating development, production,

and sales have led to results. Details are introduced in the interviews with our executives in charge at the latter part, but what I am particularly interested in is the “change in corporate culture” behind the numbers.

In the past, the achievement of our long-term vision tended to be seen as a “management goal” in the medium-term plan, but this time the situation is different. The awareness of viewing the medium-term plan as a matter of personal interest has gradually penetrated down to the frontlines. Proactive actions by individual employees—such as taking on new challenges, applying ingenuity, engaging in interdepartmental collaborations, and making unconventional judgments—are becoming increasingly visible throughout the organization. In particular, I see people everywhere, including young employees, moving with an awareness of the overall direction of the company and the roles of their own departments, and I feel great hope for this development.

For example, we’ve recently seen a growing trend within



the company where employees proactively engage in interdepartmental collaboration and the creation of new systems, regardless of their position or seniority. I sense a growing trend of proactive autonomy among our employees, where each individual makes their own judgments and takes initiative, even in situations where they might previously have simply watched and waited to see how things developed.

Such changes symbolize changes in the “corporate atmosphere” that are difficult to describe in numbers. Rather than simply viewing management goals as “assigned tasks,” a mindset is emerging in which they are embraced as “a means to shape our own future,” and efforts are being made to put this into practice in daily work and decision-making. As a business manager, this change is the most reassuring response.

In the past, it was not uncommon for people to view medium-term plans and long-term goals as distant matters with little or no direct relevance to their own work. However, I now feel that the number of employees who feel that the company is making serious efforts to change is steadily increasing. These changes are evident in the quality of comments made during meetings, the way decisions are made in business processes, and even in casual everyday conversations. Even without it being explicitly stated, a positive atmosphere is palpable throughout the company.

Of course, achieving numerical targets is important. However, if it becomes the goal itself, it defeats the purpose. Rather, I believe the essential theme for us is, “How do we

achieve the enhancement of corporate value?” This is the question behind the numbers.

What kind of value can we provide to society beyond sustainable growth? How do our products contribute to the improvement of people’s health and QOL, and contribute to the development of dentistry? I believe that all of these elements constitute part of corporate value, which is not merely about expanding shareholder value, but is built upon relationships of trust with all stakeholders, including healthcare professionals, patients, employees, and local communities.

I intend to continue moving forward with these questions etched into my heart, taking each step before me with steadfast determination and facing the challenges of management head-on.

### Evolving gracefully with change —Building an organization guided by our philosophy—

Even now, the global dental market continues to expand.

However, the contents of the market have changed significantly.

In particular, in developed countries and emerging countries, mainly urban areas, the focus is shifting from the conventional “treatment-centric” business to “prevention, maintenance, and aesthetics,” and the idea of supporting overall health through oral health has gradually become widespread.

Behind this is the desire of consumers to stay healthy for as long as possible, and I believe that these values will continue to spread beyond countries and regions in the future.

Dental clinics are no longer simply places for treatment, but rather gateways to protect health. In the midst of these changes, companies are required to develop their businesses with greater flexibility and speed than ever before.

Until now, our business has been focused on professional products for dental professionals. We will continue to value this foundation as the unshakable core of our business. At the same time, with the desire to contribute more broadly to the health of many people, in recent years, we have steadily begun to expand into the consumer field.

A prime example of this is the Mersage brand home care toothpaste series. Although this brand is currently only available in Japan, we have expanded our product lineup to meet needs such as hypersensitivity care, whitening, and total oral care. However, we are particular about providing this product through dental medical institutions, rather than distributing it widely in mass retailers.

It is used at dental checkups and maintenance appointments, with expert advice. In this way, we build trust with consumers while valuing our connection with dental care. We believe that this is our unique value, and the embodiment of our corporate philosophy.

In the aesthetic field, orthodontics and implants are important growth themes for Shofu. Although the scale of our business is still limited at this time, global market expansion is anticipated, and nurturing growth under a clear strategy will be a key challenge going forward. Particularly in the field of orthodontics, attention is focused not only on tooth alignment but also on its relationship with occlusion and overall health, leading to expectations for added value beyond mere aesthetics.

The digitalization of dentistry is another major trend. We are also advancing material development compatible with processing equipment such as milling machines and 3D printers, and product commercialization is progressing steadily. Currently, we provide materials in combination with equipment from external partner companies, but in



the future we will need to evolve to a business model of developing materials, equipment, and software in a more integrated manner.

Digitalization is not merely about product enhancement. It is a transformation that revolutionizes dental workflow, leading to improved operational efficiency and patient satisfaction. We aim to ensure this trend is fully embraced across more healthcare settings to deliver high-quality patient experiences. [p.24 ▶](#)

To respond to these changes, in addition to technical capabilities, flexibility and speed of management are essential. Particularly in overseas markets, there are significant regional differences in environmental variables, including pharmaceutical regulations, insurance systems, foreign exchange rates, tariffs, and geopolitical risks.

To address these complexities, Shofu engages in agile business operations tailored to local conditions, including the optimal placement of production facilities, strengthening sales networks through multiple channels, and designing products in compliance with regulations. Going forward, we will actively utilize means such as collaborative partnerships and M&A to build a sustainable growth model.

The important thing is not to passively accept change, but to actively turn it into an opportunity. This means responding flexibly to changes and sometimes taking the initiative to create new value. I am convinced that this attitude will be a source of competitiveness in the coming era.

With the market diversifying and the business environment experiencing severe fluctuations, it is vital that we do not fear change, but reframe it as an opportunity for our own growth. Embracing change and evolving proactively as an organization. This is the essence of Shofu, and I believe it is the very condition needed for a company to remain indispensable to society in the years ahead.

### Shaping our next long-term vision —Guided by philosophy and oriented toward the future—

Shofu celebrated its 100th anniversary in 2022. We are now entering the stage of looking ahead to the next 100 years. As the first step toward this, we envision ranking among the top ten in the global dental materials market. This is a very challenging theme for us, and it will require bold transformation and continuous efforts to make it happen.





This vision is not just about expanding sales. It is a roadmap aiming for sustainable and socially meaningful growth while addressing fundamental questions such as why we exist and how we will contribute to dental care.

Of course, setting quantitative metrics and milestones is essential, but what matters more is the question of whether we can become indispensable to dental professionals and patients around the world. The very essence of this is being questioned.

This is not simply about expanding our business, but rather how deeply and broadly we can contribute to society through the combination of our products, regions, and business models. I believe that the quality of that impact will be a key indicator for future growth.

In addition, expanding globally and being chosen by customers locally are two completely different issues. I believe that the ability to achieve both of these in a balanced manner will be a key factor in determining our future competitiveness.

To achieve this, we first need to review the Company's strengths and growth potential objectively.

In addition to our unique material design capabilities and diverse processing technologies, we have steadily accumulated academic papers, clinical data, and intellectual properties through our R&D system, in collaboration with academic and clinical partners. These are one of the reasons why we are held in such high esteem in the dental field, and give us a clear competitive advantage.

Our network with universities and key opinion leaders (KOLs) worldwide is also a valuable asset supporting our future growth. We need to deliver high-quality value through connections with academic, clinical, and frontline healthcare professionals that extend beyond simple sales channels. [p.33 ▶](#)

On the other hand, there are many issues to be addressed. For example, there is still a lot of room for us to evolve as a company, such as by accelerating business speed, optimizing profit structure, seizing growth opportunities by region, and boldly taking on new business challenges. In particular, we recognize that the speed of decision-making and the development of an organizational structure that can respond flexibly on a global scale are the keys to supporting sustainable growth in the future.

It is also essential for us to build a multi-tiered growth strategy that is not dependent on specific products or regions.

For example, there is a need to build a diversified and organic growth model, such as by creating new value through the fusion of aesthetics and digital technologies, creating contact points with consumers in the field of prevention and self-care, and providing

products and services optimized for the needs of each country.

It is also important for us to train and promote global human resources, fostering diversity within the company. To respond flexibly to changes in the environment, it is essential to drive the evolution of systems and work styles that support corporate culture—our values and judgment criteria—in line with the times. Each employee expands their own role and takes on challenges regardless of past conventions or departmental barriers. Such actions form a chain within the company, and the atmosphere and behavioral styles of the workplace—our corporate culture—will serve as the foundation that supports future growth.

In this way, we will bring our next long-term vision to life — combining our enduring philosophy with a forward-looking mindset. We will continue to take on the challenge of new stages as a global company that supports the future of dentistry, while facing our *raison d'être* as a company and the expectations of society head-on.

### Engaging with the market and building trust —The path toward enhancing corporate value—

To reiterate, we have been focusing on improving product development, production, and support services under our philosophy of “Contribution to dentistry through innovative business activities.” At the same time, I also regret that we have not been able to have sufficient dialogue in terms of how to enhance our value as a company and how to communicate our initiatives and changes to our stakeholders.

For example, we have received more pointers than ever regarding items such as our ratio of cross-shareholdings, abundant cash and deposits, and the introduction of takeover defense measures. In particular, overseas institutional investors have asked harsh but sincere questions such as, “Are you really facing up to the market?” and “Are you able to manage with awareness of capital efficiency?”

While these were not nice-sounding words at all, they did offer an important opportunity for us to reconsider the Company's position. One thing that has left a particularly strong impression on me is the fact that corporate value is not just about performance or numbers. Rather, it is the attitude of dialogue itself that is evaluated. I felt keenly that “willful change,” which cannot be conveyed by a series of numbers, is the cornerstone for building trust.

We take this feedback seriously, and have taken concrete actions in response. We have decided to gradually eliminate cross-shareholdings, allocate capital with an awareness of the balance between growth and returns, and abolish takeover defense measures in 2025. While it may be a small step, we have steadily implemented these changes as part of our efforts to improve corporate value. [p.37 ▶](#)

As a result, there have been an increasing number of positive comments, telling us that we've changed for the better. I would like us to honestly accept these comments as a source of encouragement as we move forward.

We are also continuing our shift toward management with an awareness of the cost of capital and working to improve the functions of our Board of Directors. In particular, we are further enhancing the transparency and objectivity of our management by actively incorporating outside eyes, such as strengthening our systems for utilizing the perspectives of outside directors in strategic decision-making and governance reforms that utilize third-party effectiveness evaluations. [p.44 ▶](#)

Governance, which once tended to be seen as a formality, is now evolving into a system that has a substantial impact on management discussions. From now on, the Board of Directors will

increasingly be required to function as a cornerstone of strategy planning and risk management, not just an approval body.

I believe that corporate value cannot be measured in terms of short-term profits, and that it is the accumulation of trust over time that leads to true evaluation. For this reason, it is essential to carefully convey not only financial information, but also initiatives in non-financial areas and the context behind management decisions.

What we aim for is not to give one-sided explanations, but to form relationships that foster mutual understanding and empathy through dialogue.

Through these dialogues, we sincerely demonstrate how we are changing and evolving, both in our words and in our actions. I believe that this is the way to sustainably improve corporate value.

Going forward, we will continue to push ahead while valuing the “cycle of dialogue” in which we can engage in sincere dialogues with all stakeholders and meet the expectations of society, while at the same time feeling our own growth.

### To our partners in shaping the Future —Moving forward gracefully in an era of change—

The environment around us is changing at an unprecedented speed.

As societal values, healthcare, and the orientations of workers change significantly, the roles required of companies and the value they should provide have become more diverse and complex. I feel that there is a need for a new way of engaging with society that cannot be described as an extension of the conventional one.

Under such circumstances, in order for Shofu to continue to contribute to society and grow sustainably, it is essential to have the ability to evolve flexibly. Shofu has a history of inheriting the aspirations of our founder, and a corporate philosophy that will serve as a compass for the future. This philosophy is not

just a symbol, but a value standard that forms the core for all decisions for the future. This philosophy is not embodied by systems or plans, but by the will and actions of individuals.

How can we contribute to society with a focus on dentistry? We will answer this question with our own answers, and continue to take on new challenges with flexible ideas. I believe that the accumulation of these things will be the source of Shofu's competitiveness in the future.

I would like all employees to work together to cultivate an organizational culture of actively embracing and incorporating changes rather than fearing them.

On the frontlines of our business, new ideas and spontaneous ingenuity are beginning to sprout, especially among the younger generation. Such small daily efforts to take on challenges will eventually become a great force in shaping the future.

The veteran generation, too, has begun to show a willingness to generously share their accumulated knowledge while embracing new changes and walking alongside them. I feel that dialogues across generations and departments are gradually emerging, and a wind of positivity is beginning to blow within the company.

Of course, there are also cases of anxiety and hesitation amid these changes. That is why we would like to continue to value dialogue and trust. To our customers, shareholders, business partners, and colleagues within the company, I say this. I believe that listening sincerely to the voices of each individual and accumulating the empathy and trust that comes from this will be the cornerstone that will support change as a company. There are things we must never change, and things that continue to change. We will continue to value both of these as we move forward as a company evolving with change, focused on dentistry.

I want us to be worthy of the trust placed in us by society while facing all stakeholders with sincerity, and respecting the growth and efforts of each and every employee to attempt challenges.

We wholeheartedly ask for your continued support and further expectations in the future.







Corporate Planning

Message from the executive officer in charge

Working to enhance the management speed and fundamental strength of our operations to achieve global growth

In May 2024, we announced our fifth medium-term management plan to achieve our long-term 50-billion-yen vision, and have been working to address priority issues for sustainable growth.

Director,  
Senior Managing Executive Officer  
Fumitaka Yamazaki

Serving as a bridge between divisions and promoting global growth

Our corporate philosophy is “Contribution to dentistry through innovative business activities.”

I believe that the significance of dental care lies in maintaining oral functions at all stages of life, enabling people’s basic activities of eating and speaking, and supporting people’s ability to live. Looking at a time frame of five to ten years, I have the impression that society as a whole is definitely becoming more aware of the importance of dental care. National healthcare policy also clearly shows that dental care is an important field that can contribute to improving quality of life (QOL) and healthy longevity.

In this context, we aim to contribute to better dental care by collaborating with dental professionals, educators, and industry stakeholders through the development of superior dental materials and equipment and the provision of solutions.

We also declare this in our corporate message of “Creating Brighter Smiles for Healthier Lives.”

While I cannot develop, produce, or sell products myself, I believe that I have a role to play in thinking about the direction in which the R&D, production, and sales departments can move to achieve optimal results, and create a framework that makes it easy to operate and engage in these activities.

In addition, I believe my role involves explaining our company and business overview, performance trends, and future policies and strategies to investors and other stakeholders. It also involves engaging in constructive dialogue on themes such as how stakeholders evaluate the company and what business management challenges they perceive in enhancing corporate value, and reflecting these insights in management decisions, and aligning perspectives between the company and its stakeholders.

Outline and progress of the fifth medium-term management plan

Overview, progress, and issues for our 50-billion-yen vision

The fifth medium-term management plan, announced on May 1 of last year, covers the period up to and including FY2028/3. Since the first fiscal year of the plan ended on March 31, 2025, I would like to report on the progress of this plan.

Before that, however, since the fifth medium-term management plan sets the achievement of our long-term vision—the 50-billion-yen vision formulated in 2012—as its primary goal, I would first like to explain what the 50-billion-yen vision entails.

Our 50-billion-yen vision

Our 50-billion-yen vision stems from our corporate philosophy of “Contribution to dentistry through innovative business activities.”

The year 2012, when the concept was first announced, was also a major milestone for Shofu in several aspects, including the 90th anniversary of our founding, our fourth founding period (based on the theory that companies have a 30-year life expectancy), and a new start for us as a company listed on the First Section of the Tokyo Stock Exchange.

However, at the time, the Group’s performance for FY2012/3 was 16.0 billion yen in net sales and 3.8 billion yen in overseas sales, with an overseas sales ratio of around 24% of total sales. This led us to the profound realization and reflection that our contribution and presence in the global dental market were still extremely small, falling far short of what befits our corporate philosophy.

Based on this understanding, President Negoro (who was president at the time) announced a 50-billion-yen vision, aiming for achievement by 2022, the 100th anniversary of the Company’s founding. This vision outlined Group sales of 50 billion yen (17 billion yen in Japan and 33 billion yen overseas), operating income of 7.5 billion yen, and an operating profit margin of 15%. Since then, we have implemented various measures to achieve these goals.

Initially, we aimed to achieve these targets by FY2022/3. However, due to internal factors such as the lack of speed in addressing issues, the lack of human resources to speed up the process, and external factors such as the impact of legal systems and regulations in overseas countries, at the end of

the second medium-term management plan we decided to delay them by five years and aim to achieve them by FY2027/3 at the latest.

Although the achievement of these targets in FY2027/3 was also delayed by another year due to the COVID-19 pandemic, which began FY2021/3, we believe that the Group has undergone significant changes as a result of launching the 50-billion-yen vision.

We have set ambitious goals that would never have been reached in the past, and we have recognized the gap between our vision and the current situation through backcasting. I believe that such consideration and implementation of what needs to be done and what is lacking have created momentum for each employee to rise to a high level, leading to opportunities for growth.

The current situation is that all employees feel that the achievement of our vision is approaching as the results accumulate year by year.

The Fifth Medium-Term Management Plan

In FY2025/3, the first year of our fifth medium-term management plan with which we aim to achieve our 50-billion-yen vision, we made a good start toward achieving the goals of the plan, achieving our targets for both sales and profits with record high performance following on from FY2024/3. However, we also need to keep in mind that the results for FY2025/3 include the positive effects of exchange rate fluctuations (the weak yen).

Under the fifth medium-term management plan, we are implementing the following initiatives as priority issues to achieve the plan. The status of initiatives in FY2025/3 is as follows, and it is our evaluation that progress has been steadily made on each issue. However, there are also changes in the external environment and risk factors that have arisen since the formulation of the medium-term management plan, and we believe that it is necessary to respond appropriately, flexibly, and promptly to these factors.

Initiatives to achieve the 50-billion-yen vision and results for FY2025/3

Major initiatives	Status of initiatives for FY2025/3
<b>R&amp;D</b> Development and launch of new products that meet the demands and needs of each region	<b>Japan</b> ● Enhanced lineup of new CAD/CAM materials covered by insurance ● Expanded adhesive systems for new CAD/CAM materials ● Expanded digital denture products <b>Overseas</b> ● Adhesive systems for a wide range of restorations ● Diamond points made in Vietnam
<b>Sales</b> Developing sales networks and sales bases, and building domestic and overseas academic networks	● Expanded sales networks and KOLs* in each country and region * Key Opinion Leader Number of distributors worldwide: approximately 1,000 Number of KOLs worldwide: approximately 400
<b>Production</b> Relocation of production sites and expansion offshore production to reduce costs and increase production volume	● Established new production site in Changzhou, Jiangsu Province, China ● Started construction of a new factory at Kyoto head office
<b>Human resources</b> Development and securing of human resources to actively promote overseas operations	● Initiatives to secure a global human resources pool (formulating a global human resources selection and development flow) ● Launched a next-generation business leader development program
<b>Finance</b> Capital procurement in response to increasing capital requirements	● Engaged in initiatives for the effective use of funds within the Group ● Sales of cross-shareholdings
<b>M&amp;A</b> Business alliances, technology alliances, and business acquisitions	● Implemented cross-border alliances with overseas distributors to deepen the level of collaboration ● Extraction of targets for consideration based on segment stories (business strategies by product area and region)
<b>Strengthening the group governance system</b>	● Engaged in initiatives to strengthen Group compliance ● Engaged in initiatives to strengthen information security measures at Group companies
<b>Business alliances</b> Business tie-ups with Mitsui Chemicals, Inc. and SUN MEDICAL CO., LTD	● Sold Sun Medical Co., Ltd.’s dental adhesive material Super-Bond through our Brazilian sales subsidiary ● Expanded our proprietary S-PRG technology to SUN MEDICAL CO., LTD products

Fifth Medium-Term Management Plan  
Financial targets and progress

Units: billions of yen

	FY2024/3 actual	FY2025/3 plan	FY2025/3 actual	FY2026/3 plan	FY2027/3 plan	FY2028/3 plan
Net sales	35.0	38.3	38.6	40.8	45.1	50.1
Domestic net sales	14.8	15.9	16.0	16.9	17.7	18.7
Overseas net sales	20.1	22.4	22.6	23.9	27.4	31.4
Operating income	4.7	5.2	5.3	5.2	6.3	7.5
Operating profit margin	13.4%	13.8%	13.9%	12.8%	14%	15.0%
ROE	9.5%	10.4%	10.3%	10.9%	11.8%	13.5%

Cost of capital and share price conscious management

In the Shofu Group Fifth Medium-Term Management Plan announced on May 1 of last year, we announced measures to achieve cost of capital and share price conscious management. We also announced updates to these measures on May 9 of this year, so I would like to focus on the contents of these updates.

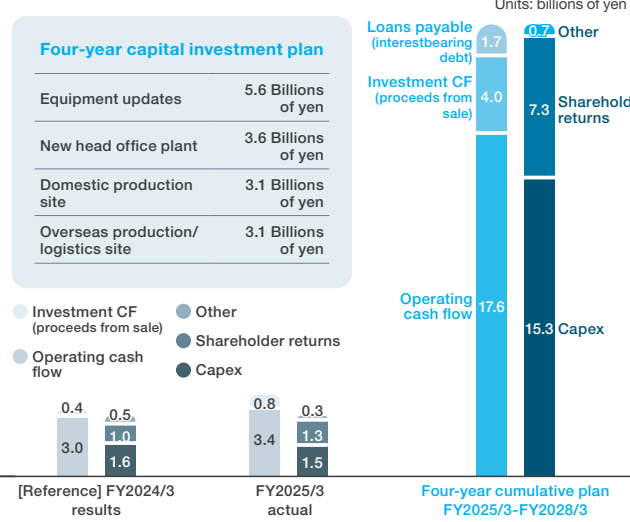
Since FY2022/3, the Group has achieved return on equity (ROE) exceeding the cost of shareholders' equity calculated using CAPM (equity spread is positive). However, based on discussions with shareholders and investors, the cost of shareholders' equity demanded by investors is 8 to 10%, indicating a need for further improvement in capital profitability.

Additionally, although our price book-value ratio (PBR) has been in an upward trend since FY2023/3, it still pales in comparison with the PBR of competitors and the industry category to which the Group belongs, and we recognize that there are still challenges in our market evaluation.

This is also reflected in the fact that our price earnings ratio (PER) has been declining in recent years compared to the past. We believe that this is due to factors such as (1) a gap in the perception of the Group's growth story with investors (in other words, a lack of dialogue), and (2) issues with the high liquidity risk of our shares, which are also constraining factors for reducing the cost of capital.

Based on this analysis of the current situation regarding the

Capital allocation Plan and progress



cost of capital and stock-related indicators, we have implemented the following measures as a policy for improvement.

1 Further improvement of ROE by implementing initiatives to achieve the 50-billion-yen vision

2 Engagement in initiatives to improve our liquidity in the stock market

3 Improve IR activities, including stimulating constructive dialogue with investors

4 Clarify capital policies and enhance shareholder returns

5 Deepening the level of corporate governance

In FY2025/3, we found that we were able to improve both ROE and market valuation by implementing measures based on our policy for solving issues. However, we have not yet reached a sufficient level, so we will continue to make efforts to improve these issues.

The main KPIs for measures based on the above policy are as shown on the right.

Measures to achieve cost of capital and share price conscious management

Issues	Measures	Main KPIs	Evaluation
Further improvement of ROE	● Improvement of ROE by implementing initiatives to achieve the 50-billion-yen vision, improvement of total asset turnover, etc.	● ROE FY2024/3 actual 9.5% FY2025/3 plan 9.1% FY2025/3 actual 10.3%	Improvement
Improving liquidity in the stock market	● Executed a 1:2 for stock split with September 30, 2024 as the date of record ● Announcement of Medium-Term Management Plan ● Proactive IR activities	● Daily trading amount FY2024/3: 65 million yen FY2025/3: 243 million yen ● Trading volume ratio FY2024/3: 0.37 FY2025/3: 0.77	Improvement
Improve IR activities	● Closing the information gap for foreign investors  ● Fostering constructive dialogue with investors	● FY2025/3 actual Simultaneously disclosed financial statements, timely disclosure materials, and voluntary press release materials in English  ● Number of dialogues with investors FY2024/3 actual 98 cases (including 34 with foreign investors) FY2025/3 actual 262 (including 112 with foreign investors)  ● Number of dialogues between investors and the president FY2024/3 actual 2 FY2025/3 actual 35	Improvement  Improvement
Clarify capital policies and enhance shareholder returns	● Proactive growth investments  ● Sales of cross-shareholdings	● Amount of capital investments FY2025/3 plan 2,963 million yen FY2025/3 actual 1,445 million yen The start of reconstruction work at the Kyoto head office factory was delayed from the original plan due to a survey of buried cultural properties by Kyoto City. Work is scheduled to be completed within the current medium-term management plan period.  ● Sales of cross-shareholdings held by the Company FY2025/3 plan 600 million yen FY2025/3 actual 869 million yen (five stocks, of which four were completely sold) ● Ratio of cross-shareholdings to net assets FY2024/3 actual 21.4% FY2025/3 actual 14.4%	Improvement
	● Enhancement of shareholder returns	● Dividend policy (1) Dividend payout ratio: 30% or more => 40% or more (2) Dividends on equity (DOE): 1.7% target => 3.0% or more ● Dividend per share (after stock split consideration) FY2024/3 actual 31 yen (dividend payout ratio 30.1%)* FY2025/3 actual 49 yen (dividend payout ratio 40.3%) FY2026/3 forecast: 53 yen (dividend payout ratio 40.1%) ● Dividends on equity (DOE) FY2024/3 actual 2.86% FY2025/3 actual 4.14% FY2026/3 forecast: 4.36%	Improvement
Deepening the level of corporate governance	● Abolition of takeover response policies  ● Promoting diversity in the Board of Directors  ● Dissolution of cross-shareholdings (mutual holdings)	● Takeover response policies were abolished at the close of the 153rd Ordinary Shareholder's Meeting held on June 25, 2025.  ● Appointed two female outside directors (out of a total of nine directors)  ● Sale of shares held by the Company FY2025/3 plan 600 million yen FY2025/3 actual 869 million yen ● Shares held by the counterparty FY2025/3: 1,732,000 shares (4.8%) sold	Improvement  Improvement  Improvement

The Company executed a 1:2 stock split of its common stock with September 30, 2024 as the date of record. Figures have been adjusted to reflect the 1:2 split.

TOPIC

Efforts to promote constructive dialogue with overseas investors

To enhance our IR activities, we started an overseas road show in October 2024.

Timing (number of days)	Region (country or city)	Number of companies visited	Speakers
October 2024 (4 days)	● Europe [UK, France]	12 companies	President, Executive officer in Charge of IR
March 2025 (4 days)	● Europe [Switzerland, Sweden, Germany, UK]	11 companies	Executive officer in Charge of IR
April 2025 (4 days)	● Asia [Singapore, Hong Kong, Taiwan]	13 companies	President, Executive officer in Charge of IR
June 2025 (5 days)	● USA [New York, Boston, Chicago, Salt Lake City]	16 companies	Executive officer in Charge of IR

Since FY2024/3, we have stepped up our contact with overseas investors. We are doing this with the cooperation of supporting companies that have strong networks with overseas investors. As a result of these efforts, the ratio of foreign ownership has gradually increased. Since our market capitalization exceeded 50 billion yen, new points of contact have been established with an investor base that can view the company as a target for investment. Initially, we started with online meetings, but we soon began to feel the need for face-to-face dialogues and decided to launch an overseas roadshow.

We believe that this roadshow is a meaningful opportunity to provide a broad overview and explanation of the Company and its businesses, performance trends, future policies and strategies, etc., and to engage in constructive dialogue on themes such as how investors evaluate the Company and what management issues they believe exist for improving corporate value.

While we received high marks for the Company's business environment, business model, and business strategy, we also often received opinions that there is room for improvement in capital policy, business portfolio optimization, and governance.

We also frequently received questions such as this: "We understand the

details of the fifth medium-term management plan, but what is Shofu's vision beyond that? How will you make current growth sustainable? What strategies will you employ to achieve this? What opportunities, threats, and risks will exist at that time? We need you to clearly outline these points."

One point I have noticed, albeit somewhat belatedly, through our dialogues with foreign investors, is that all investors use the term "cross-shareholdings" to refer to the "policy shareholdings" that are very commonly used in Japan. I strongly felt that they were saying, "Look, you guys are not experts in stock investments. That's our job. You are experts in the business, and we want you to use our funds appropriately to increase your corporate value."

Although they often express their views and suggestions on the Company's management from a different perspective and timeframe than domestic investors, and although some of their views are harsh, I believe that taking these views seriously and appropriately reflecting them in our management is essential for sustainable growth and long-term enhancement of corporate value.



## Contributing to people's happiness through product development addressing changing dental care needs

To achieve our corporate philosophy of “Contribution to dentistry through innovative business activities,” our R&D, Quality Assurance and Marketing department collaborate as a unified team, leveraging each other's strengths. We embrace new challenges without ever giving up, and deliver new value to many countries and regions.

Managing Executive Officer  
**Ryuichi Yoshimoto**

### Achieving sustainable growth for Shofu through new product development

R&D is the cornerstone for delivering products that are useful to society and supporting the sustainable growth of companies. Even if a product becomes popular, it will eventually have to compete with competitor products, and may sometimes lose its advantage. For this reason, it is necessary to incorporate changing needs and new technologies, work to continuously improve products, and maintain and/or improve competitiveness. Ever since I was a student, I have been more interested in product development than research. This has not changed since I joined Shofu. I am currently responsible for three departments—R&D, Quality Assurance and Marketing—and am engaged in product

creation every day.

These three departments are the lifeblood of any manufacturing company, accurately grasping market conditions and needs, determining development themes, actively incorporating new technologies from both home and abroad, designing and developing products, establishing quality assurance systems, obtaining regulatory permits, launching products to market, and conducting post-market research. While I derive great satisfaction from this work, I also feel a strong sense of responsibility as someone in charge of key departments, overseeing the company's sustainable growth.

### Our strength lies in the technologies accumulated over our 100+ year history

Shofu has a history of over 100 years as an R&D-oriented company, and has accumulated many dentistry-related technologies. Our greatest strength is that we can continuously create new products while further developing and combining these technologies.

There is a culture within the Company that once we start to develop something, we never give up until the product is completed. No matter how high the obstacles that stand before us, we have always reviewed our plans many times and turned our ideas into products. I believe that if we continue our research with humility, there will surely come a moment when we can overcome the obstacles we face. That realization itself then becomes a major event that further drives our growth as researchers.

That “realization” could be the discovery of a new technology, or the combination of unlikely materials and technologies to create new things, the likes of which have never been seen before. Such innovations lead to the further development of our technologies

and the creation of higher quality, added-value products.

For example, PRG technology\* is a unique technology of Shofu that was created through steady research and development efforts. In Japan, there has been a custom of blackening teeth (ohaguro) since ancient times. In an era when dental hygiene was not sufficiently advanced, black teeth were said to prevent tooth decay and gum disease in the oral cavity, and were said to be effective in maintaining health. The downside, however, was that blackened teeth may look a bit unfamiliar. In response to this problem, research was conducted—primarily at universities—to determine whether it would be possible to make non-black products as an alternative to blackening teeth. Shofu worked together with university researchers to jointly develop materials that combine tannins contained in tooth blackening agents with fluoride, and applied them to cement products used for bonding and filling. This led to the development of the first product that can prevent tooth decay without turning teeth black.



PRG Pro-Care Gel α  
dental polish



ResiGem EX  
dental composite resin cement

\*Pre-Reacted Glass-Ionomer (PRG) technology  
A technology in which an acid-reactive fluoride-containing glass filler and a poly(acrylic) acid are made to react in an acid-base (glass ionomer) reaction in the presence of water, forming a stable glass ionomer phase in the glass filler.

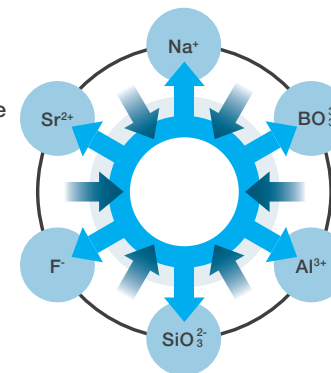
However, this tannin fluoride mixture also had one drawback. The issue was that, although dental materials containing this mixture do not turn black, they do become opaque, which slightly affects their appearance. As a solution to this, we created S-PRG filler, an improved version that offers greater transparency, and which can be mixed with various materials. This S-PRG filler can be expected to offer benefits such as reducing plaque adhesion to tooth surfaces and shifting the pH of the oral environment from

#### Features of S-PRG filler

S-PRG filler multi-ion release and recharge

- Inhibits plaque adhesion
- Neutralizes acid
- Suppresses enamel demineralization, etc.

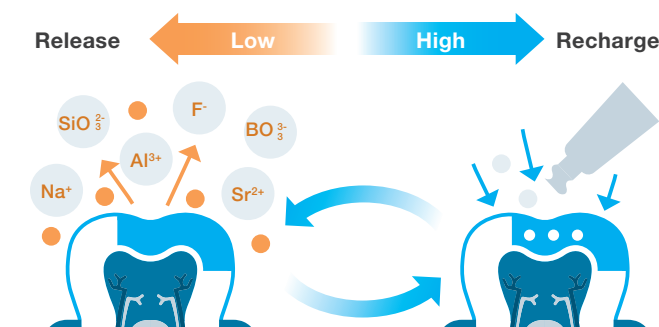
Contributes to oral health



acidic to neutral, making it less prone to cavities. As a product that contributes to the creation of a healthy oral environment for patients, it is used across a wide range of dental fields, including as an adhesive, filling material, and coating material for protecting deciduous teeth.

In this way, the SHOFU Brand includes many products based on the development of old technologies.

#### Ion concentration in mouth



### Utilizing feedback obtained from dental professionals to develop new products and improve existing products

Feedback from dental professionals who actually use our products is essential for product development. For example, the development theme that I began working on immediately after joining the Company started with feedback from a dental technician talking about properties that natural teeth have, but which dental materials do not.

The enamel of natural teeth has a property similar to that of opal. When light enters the enamel, blue and purple light is scattered, making the teeth appear bluish. However, it was difficult to impart this opal-like property to dental materials made of glass. Even if they looked like natural teeth at first glance, they could be distinguished upon closer inspection. If we could somehow add this opal-like property to porcelain powder, it would be a world first. After much research, we established a technology that could stably produce this opal-like property, and commercialized it.

I think that dental professionals naturally have various feelings and encounter various problems in their daily treatment work. We also aggregate all opinions, complaints, and defects about our products that are reported to the Quality Assurance department, and refine and improve the product blueprints accordingly. In particular, we listen humbly to the reasons why dental professionals don't use our products, because this helps clarify our weaknesses. We use this information as a key reference.

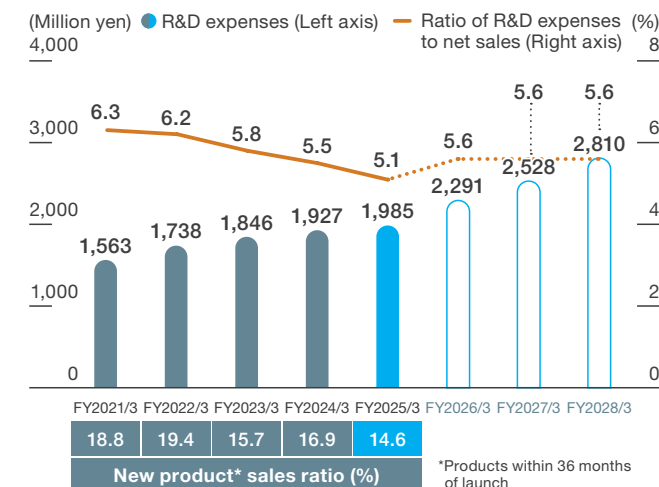
We also incorporate advanced technologies and information into our product development efforts, valuing our connections with university professors, who are also researchers. As a form of monitoring during development, although it is only simulated, teachers will actually use our products and check their usability. Based on their feedback, we review our designs and proceed with the development. In this way, we create new products while gathering feedback on a wide range of information, from cutting-edge basic research to user experience surveys, and incorporate it into our product development.

We have also focused on development efforts relating to the digitalization of dental care, which has been advancing in recent years. For example, in the past, impression of patients' teeth were taken manually using silicone or agar, but with

digitalization it is now possible to scan tooth mold data using a scanner, design and mill tooth crowns based on the data, or print them using a 3D printer. In addition to milling system, we are also focusing on the development and provision of two types of 3D printers, along with their corresponding resins. We supply the necessary equipment on an OEM basis, and provide dental materials as one solution for products designed and developed by our company.

A significant impetus for this digitalization was that in 2014, Japanese health insurance began to cover CAD/CAM crowns for premolars. Originally, crowns were made of metal, but since this metal contains 12% gold, increases in gold prices increased medical costs and put pressure on national finances. The switch from metal was made by applying insurance to CAD/CAM crowns using digital technology. I remember the great response from patients at the time, saying, “I can have a white crown now,” or, “Now I don't have to worry about metal allergies.”

### Increasing investments in ongoing research and development



### Quality assurance activities supporting product safety and reliability

Dental materials must be adapted to various cases, so high-mix / multi-product production is a prerequisite. It is also necessary to ensure reliable quality for each of these products.

To implement consistent quality assurance activities from R&D through post-manufacturing and sales, we have set quality targets for each business process, and engage in daily improvement activities across the entire company. To ensure that our quality management system operates continuously, appropriately, and effectively, we conduct quality assurance activities that support the safety and security of our products, such as monitoring at review meetings (management reviews) by management once a year, and reflecting the results in activities for the following fiscal year.

### Differentiating from competitors with high-quality products that emphasize safety and peace of mind

The standard for quality management systems for medical devices, encompassing the process for design, manufacturing, and sales, is defined by the ISO 13485 international standard. We proceed with commercialization in accordance with this process. The process requires regular audits, as well as the planning, execution, and documentation of all processes. Manufacturers need to allocate time during development to perform these activities.

In addition to this process, each country and region has its own regulations. As we continue to expand our overseas business and seek to expand into more countries and regions in the future, we are paying close attention to collecting information on regulatory affairs and ensuring compliance with laws and regulations.

We have released a number of products to the world that are either world firsts or industry firsts in Japan. In recent years, however, it has become difficult to release such unprecedented products as often as before.

Patent rights for technologies expire after a certain period of time. When they do, competitors start introducing product lineups using these technologies to the market. There is a sense of speed

### Safety Management System

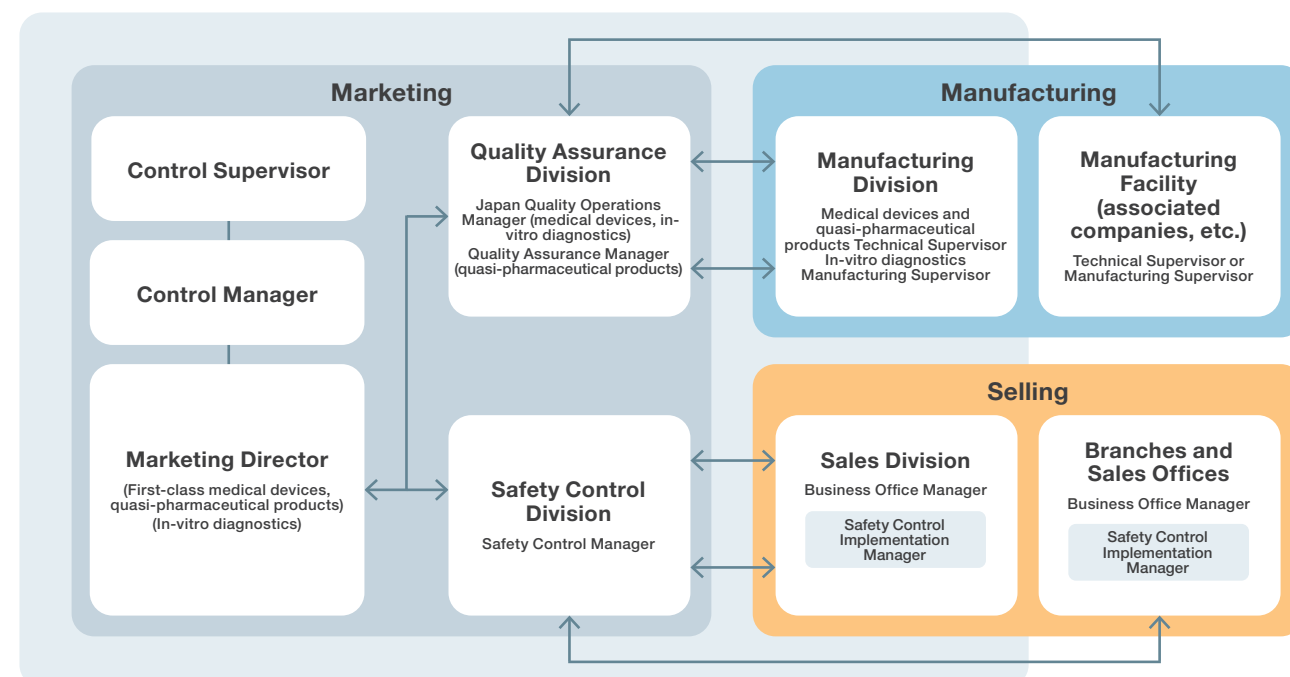
To ensure that dental professionals can use our products with peace of mind, we collect safety management information (information about defects, etc.) related to medical devices, both from within Japan and from overseas, for evaluation and deliberation, based on the GVP Ordinance.\* Information about quality, effectiveness, and safety obtained through these processes is provided swiftly and appropriately to dental professionals to promote the proper use of our products. In this way, we strive to minimize safety-related risks and to enhance the safety and reliability of our products.

\*GVP Ordinance: Standards for post-marketing safety management of drugs, quasi-pharmaceutical products, cosmetics and medical devices and regenerative medicine products, etc.

in the movements of such competitors, and if we are complacent we will immediately lose our market share.

In addition, the fact that various information has come to be disseminated all over the world at once is one of the reasons why it has become difficult to create innovative new products in the first place. Manufacturers are getting a lot of information and starting their development efforts from the same starting point, and so the level of competition is intensifying. Under these circumstances, I hear that some companies take the stance of launching at even 70% or 80% of completion in order to speed up the sales period, and then continue to make improvements while listening to opinions. However, Shofu has the DNA of valuing safety and peace of mind and striving for perfection. While it is undeniable that this is an issue in terms of speed, the advantage of being able to proceed with development with materials that ensure safety while combining our superior technologies also leads to time savings. Even if our starting point is the same, the distance to the goal may not be the same. At the same time, we seek to further differentiate ourselves from other companies by developing products with high added value and high functionality.

### Quality assurance system



### Developing products tailored toward actual treatment

Until now, we have grown our overseas business by expanding our sales channels, by widening the range of countries and regions in which we sell our products, and supplying them to markets that require them. We have expanded our market horizontally, without changing prices significantly.

The next step is vertical expansion. We need to expand our price range and add products to our lineup to widen our customer base. This is also a major challenge, and is not straightforward for us, having continued to pursue added value and high functionality.

Personally, I believe that approaching the “volume zone,” where products are most chosen, will become increasingly important in the future. Typically, the term “volume zone” refers to the price range where products sell the most. In other words, it often refers to the market segment that targets the middle-income group. But we have another point of view. Our approach is to provide products that are suitable for the most widely used treatment methods in a given region. The difficult thing is that the world is a big place, and levels of education, infrastructure, and usage environments differ. If we make a mistake in deciding where to focus when designing a product,

we will not be able to develop a market.

Ideally, we should make products that suit each country and region, but since our resources are limited, it is more realistic to narrow down the number of products as much as possible and sell those products in various countries and regions. First of all, we would like to obtain information from overseas bases, distributors, and dentists, dental technicians, and dental hygienists (who are key opinion leaders, KOLs), and aim to design products that are easy to use.



BeautiLink SA dental adhesive resin cement

### Focusing on a new field of preventive dentistry to extend healthy life expectancy

In recent years, the number of researchers in Japan affiliated with companies has decreased, and there are concerns about the sharp decline in young researchers who support advances in science and technology. Shofu, however, is actively recruiting new talent, and the number of employees in research positions has probably nearly tripled compared to when I joined the company. As the proportion of overseas researchers has increased, the scope of research has expanded, and the number of employees with new knowledge has increased, further increasing the depth of our researcher pool. Therefore, we are seeking to expand the scope of our business and focus on the new field of preventive dentistry.

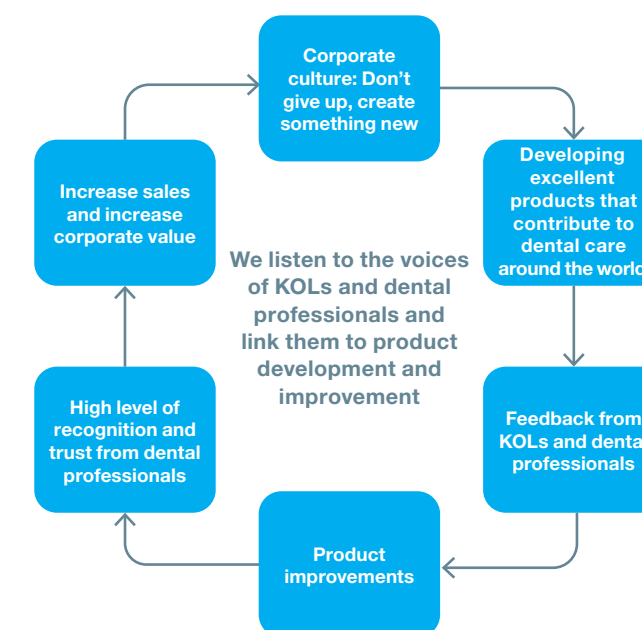
Preventive dentistry is a field that seeks to prevent oral diseases such as tooth decay and periodontal disease. For example, leaving teeth unbrushed will result in tartar buildup, and the bacteria that accumulate in this tartar will increase the risk of tooth decay. Having tartar removed and having teeth cleaned regularly at a dental clinic can help prevent tooth decay. In Japan, however, many people visit the dentist only after they develop cavities. Awareness of preventive dentistry is low, so the rate of regular dental checkups tends to be lower than in Western countries.

Shofu is also working to raise awareness of preventive dentistry in Japan and increasing the number of products that can be used, such as toothpastes that can be used for professional care at dental clinics and self-care administered by patients themselves. In addition to treatments, we are also considering the development of products that allow patients to perform simple tests to determine for themselves whether they need to visit a dentist or not, and to perform simple periodontal disease tests.

It is becoming clear from academic research that if the oral environment can be maintained, it will extend the healthy life

expectancy of not only the teeth, but also the body and mind.

Various efforts are being made in the medical industry, such as deepening cooperation between doctors and dentists. While we have been working on preventive dental products, going forward, we will focus more on the field of diagnosis in addition to preventive dentistry to help maintain total oral health, from prevention to treatment.





## Expanding our production and supply capabilities to achieve further global growth

Under this medium-term management plan, we are driving the expansion of our global production and supply structure with an eye to future growth, while safeguarding the high product quality that is the source of our competitiveness. We will also enhance our cost reduction, procurement management, and logistics systems to respond to the trust of our stakeholders.

Director, Managing Executive Officer

**Shuji Sonoi**



### Establishing a global production system to contribute to dental care around the world

After 23 years in research and development since joining the company, I became Officer in Charge of Production in 2020, following my return from a subsidiary in Germany, where I had been seconded. The R&D and Production divisions have always had a strong affinity, and we are reviewing areas for improvement that were visible due to their close proximity, while rapidly strengthening our production system to respond to the rapidly expanding global market.

We have been cautious about making large-scale investments in production plants and other facilities. However, demand is expected to increase further in light of growing global recognition of the Shofu brand, the rapid expansion of demand from overseas, and continued economic growth in emerging countries and other regions in the future. If we consider this, it is easy to imagine that even if the new factory under construction at our Kyoto

headquarters is put into operation, our supply capabilities will eventually be unable to keep up. Our production sites will be strained again.

Therefore, in parallel with the investments we are currently making, in order to enable more long-term, efficient production with an eye to future growth, we will reverse the previous passive approach of producing products after receiving an order, and instead create a system in which the Production division can take the lead in supplying products, so that the Sales division can spread our products to the world with peace of mind.

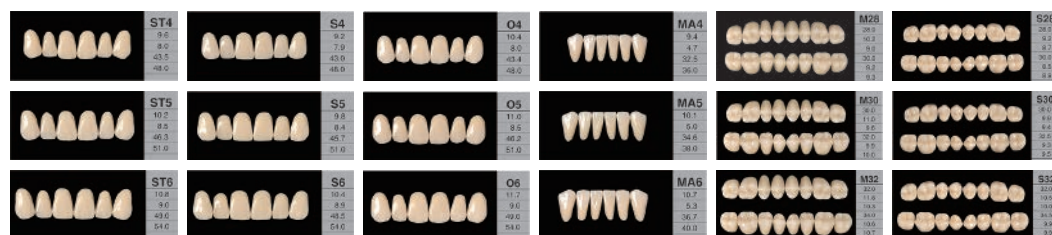
Shofu's products are safe, easy to use, and boast world-class quality. As the Officer in Charge of Production, my ambition is to develop a production system that can deliver a stable supply of products to the world, thereby realizing our corporate philosophy of "Contribution to dentistry through innovative business activities."

### Working toward our 50-billion-yen vision and increasing production capacity with an eye to the future beyond it

Our current production system includes a factory on the premises of our Kyoto headquarters, as well as domestic subsidiaries in Kyoto and Shiga, as well as production site in China, the UK, Germany, and Vietnam. While each factory manufactures different products, we export our main products, which we produce in Japan, to various countries and regions.

The reason why we produce our main products in Japan is that we offer a very large number of products, most of which are high-mix, low-volume products (such as different colors and hardness)

even if they are a single product. Therefore, it is necessary to produce a certain amount of quantity in bulk in consideration of production efficiency. It is also necessary to produce within the scope of what we can monitor, and maintain high quality in order to comply with the detailed regulations on medical devices in each country. However, our overseas business is expanding rapidly, and as we have approached a size where we can achieve economies of scale, we are considering transferring production overseas for the product units that are expected to have sales of a certain scale.



Our artificial teeth alone—including our flagship artificial tooth Veracia SA—encompass over 9,900 items.

Although sales temporarily decreased during the COVID-19 pandemic, our overseas business is continuing to grow. I believe that one of the major factors is that the standard of living in emerging countries such as China and other countries in Southeast Asia has risen, following the European and U.S. markets with a high level of dental care, leading to a rapid increase in the number of people who want to receive the same level of dental care as in developed countries. Our Overseas Sales division was one of the first to grasp this situation, and has created bases and distribution networks that can cover each country and region, so we are firmly capturing the rapidly increasing demand.

A sales network is being established to deliver our products to dental professionals worldwide, so all that remains for us in the Production division is to manufacture the products. In the Production division, we have also strengthened our recruitment of human resources and introduced additional production equipment, creating a system to increase production. In March

of this year, the construction of a new factory began on the premises of our Kyoto headquarters. In 2026, when the first phase of construction is complete, production capacity will have nearly doubled. By 2028, three years from now, after the second phase of construction is complete, production capacity will have more than tripled. If the new factories that are simultaneously under construction at our domestic and overseas subsidiaries enter operation, we estimate that we will be able to fully meet the current level of demand.

However, this production system is only a stage to achieve a stable supply in order to achieve our current long-term vision, the 50-billion-yen vision. To prepare for the next stage of growth in the future, we are establishing a new headquarters factory and upgrading existing production facilities. We are formulating new plans on a global scale, such as where and what to make in each region (including the Americas, Europe, China, the Middle East, and India) and how to set manufacturing costs.

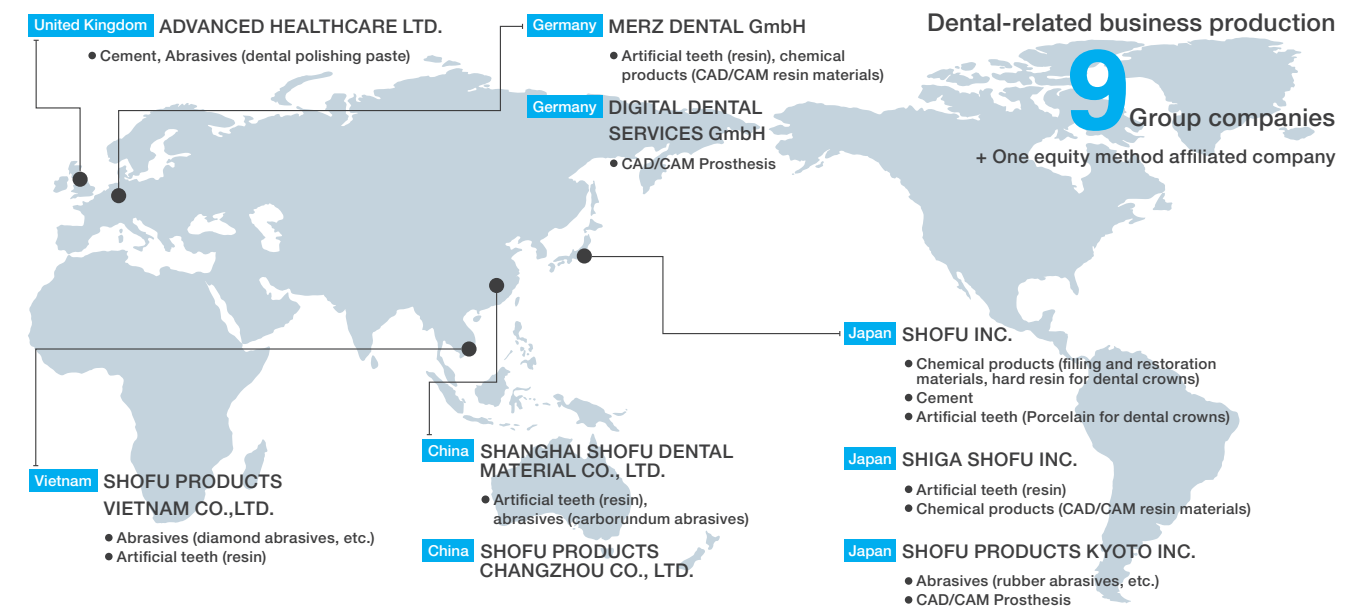


Phase 1 construction of the new factory at Kyoto headquarters is scheduled to be completed in March 2026

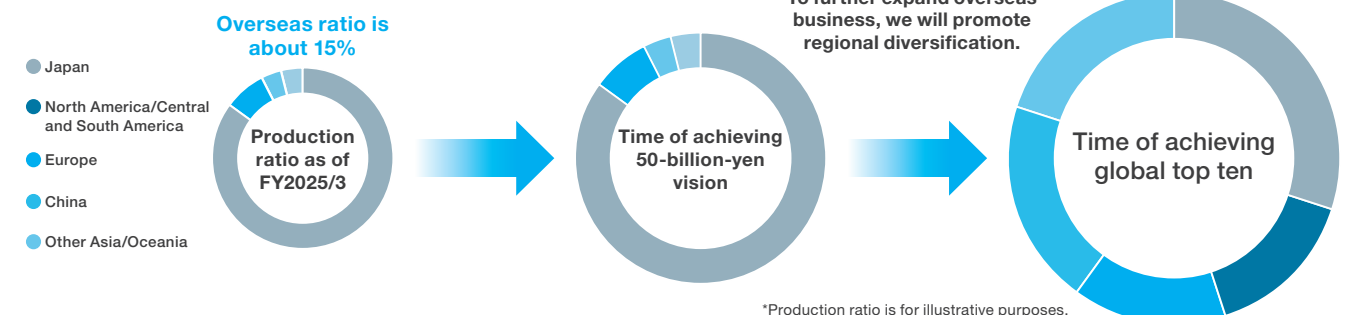


SHIGA SHOFU INC.'s No.6 Plant is scheduled to be completed in September 2026

### Shofu Group production sites and major products



### Current status and future of global production system



\*Production ratio is for illustrative purposes.



## Production strategies that support high-added-value products and popular price-range products — ●●●●

Our products are characterized by many high-added-value products and relatively high profit margins. Because of this, the impact of soaring labor costs and fluctuations in raw materials—which are considered problems by many companies—on our company is limited.

In addition, since teeth vary in size and color depending on race and individual differences, and lifestyles also differ, our basic concept is to develop teeth that are suitable for each country and region. Having the right products for each market also leads to differentiation from competitors, and we believe that, rather than reducing the number of products to cut costs, the best way for us to increase productivity is to continue to create products that meet various demands and optimize them, such as by changing production locations.

In light of this, the most important issues now are how to increase production of our products and how to deliver them to customers on time until our new head office factory is built. We must not break the virtuous cycle of increasing the trust of dental professionals by continuing to provide a stable supply of good products.

Reducing costs will only become an issue after that. One of our overseas expansion measures going forward is to expand our products to the volume zone for the so-called middle-income class, in addition to our existing brands and current price range. When we start competing in that layer, the question of how to increase productivity will also be a major issue.

To build a production system targeting the volume zone, we must further speed up the process, such as by utilizing M&A for overseas production sites. In addition, for products targeting the low-priced volume zone, the production process will need to be changed significantly compared with the existing high-quality products. This is because, even if we review processes, such as reducing time and reducing the number of inspections, we will not be able to reduce production costs dramatically. In this case, it will be necessary to rework all processes from development to production. This will be a major challenge because it will take more time.

The same is true for human resources development. As mentioned above, we offer a very large number of products, and the majority of them are high-mix, low-volume products. For this reason, there are still many tasks that rely on specific, experienced employees at production sites. In addition, tasks such as mixing, kneading, and coloring materials require consultation with the R&D and Quality Assurance Department, which further complicates the work.

However, if we analyze and standardize the various know-how associated with such individualized work and production tasks, automation will be possible, and it will be possible to maximize economies of scale while reducing costs. The packaging process, which was previously carried out manually, has now been automated, enabling us to address personnel shortages and secure ready-to-work human resources by focusing on mid-career recruitment. As a result, techniques are also being passed on. Thanks to their ability to absorb most of their techniques and know-how, some processes that relied on certain skilled employees have almost disappeared from production sites, and we are now able to supply the necessary volume of products regardless of the maturity level of each employee.

We are currently working to shorten the training period by enhancing employee training items and creating a system that can develop human resources with frontline production skills more quickly. In addition to organically expanding resources on a self-directed basis, such as expanding production capacity and acquiring human resources, we are also considering acquiring resources through M&A and recruitment.

To improve productivity, it is also effective to control purchases procured from outside the company and reduce logistics costs. Currently, all product delivery is outsourced, but as you know, transportation costs are soaring due to the shortage of drivers caused by the so-called “2024 Problem” associated with work style reforms in the logistics industry. Because we deliver the products we produce to domestic and foreign distributors who have hospitals, dental clinics, and dental laboratories as customers, an increase in costs will definitely put pressure on profits. To improve productivity, we believe that measures such as reducing the frequency of deliveries and working on joint delivery systems within the industry are also effective.

At the same time, we are currently implementing systems for procurement management that minimize reliance on individual staff for information gathering, as well as DX mechanisms to swiftly and appropriately respond to global geopolitical risks. For inventory held at overseas bases, we believe that introducing a higher-performance management system can prevent product loss.

In a situation where each country and region has a different logistics network, the overall design of the system that ultimately delivers products to hospitals, dental clinics, and dental laboratories is very important along with production. I believe that introducing a system to streamline this process is also a measure to accelerate growth.

Province, in addition to our existing site in Shanghai. Production equipment was shipped from Japan to this new Chinese factory, and installation and start-up commenced in July of this year. Although there is still a long way to go before we can release products due to the time it takes to apply for regulatory permits,



Production work at SHOFU PRODUCTS CHANGZHOU CO., LTD.  
(darkroom for light-curing products)

## Optimizing production systems based on geopolitical risks — ●●●●

The biggest risk in building a global production system is the growing geopolitical tensions around the world. In particular, China is the most important to us. China is the largest country in sales for us in a single country outside of Japan. In addition, some items are produced only at our factory in Shanghai, and in fact, when the city was locked down due to the COVID-19 pandemic, the supply of abrasive products—for which we have the top market share in Japan and sell around the world—was completely stopped, causing great inconvenience to many customers.

In recent years, business development in China has become increasingly difficult, and we are considering transferring the production of some items. In addition, China is currently implementing preferential policies for domestically produced medical devices and pharmaceuticals, and there are some cases where national hospitals and other institutions will not adopt products unless they are domestically produced. To address these risks while responding to further growth in demand in China, we have established a new production site in Changzhou, Jiangsu

we will continue to transfer production to China for products sold in China and transfer production of those not sold in China to other locations.

This series of production system optimizations for China will serve as a basis for optimization at other sites such as Europe, the United States, and India in the future, so we would like to use it as a reference as a package to smoothly transfer and decentralize production in Japan and overseas.

In this article, I focused on building a production system for the next stage of growth. Of course, there are concerns about having a large number of production facilities, but for us, the current virtuous cycle is an opportunity to take a big leap forward. If we do not make a decision now, we will not be able to enjoy global growth.

Our products are highly reliable and are enjoying growing demand worldwide. The global population—which currently exceeds eight billion—is expected to continue growing, and is estimated to reach ten billion by the 2060s. In particular,

population growth in emerging countries is remarkable, and demand for dental care is expected to increase as income levels rise in these countries. In India, where I recently visited to conduct inspections, and where the population is increasing rapidly, I heard that there are cases where dental treatment cannot be received in sufficiently hygienic conditions. However, as seen in Japan and other developed nations, the situation is expected to improve and progress with each passing year.

Progress in building a global production system will reduce the impact of geopolitical risks and increase production economies of scale, enabling us to strengthen sales that meet the needs of each country and region. While there are many hurdles to overcome, such as responding to medical device regulations in each country which grow stricter each year, we will establish a production system as soon as possible and make all-out efforts to implement our corporate philosophy of “Contribution to dentistry through innovative business activities.”

## Message from the manager of an overseas production site working to strengthen the production system

### Standardizing global production operations: a challenge from Vietnam



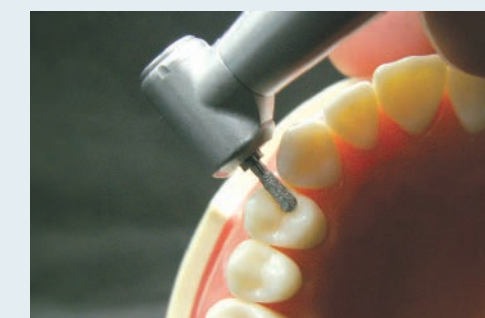
SHOFU PRODUCTS  
VIETNAM CO., LTD  
Representative Director and  
President

**Akihiro Kusunoki**

SHOFU PRODUCTS VIETNAM CO., LTD. was established in May 2020 as a production site for achieving cost savings and producing items for sale overseas. We currently operate with 45 Vietnamese employees. The main items we produce are dental diamond abrasives. The existing products manufactured at the Kyoto head office plant are products that maintain high performance and quality by combining Shofu's technological capabilities, and have been favored by numerous dental professionals in Japan for around 70 years since their release. When looking at overseas markets where there are many competitors, these products have faced challenges in terms of price competitiveness, and have not been able to increase their market share until now. For our diamond abrasives, aimed at expanding market share overseas, in addition to the manufacturing technologies at the head office plant, we have adopted artificial diamonds, in-house processing of shaft materials, and new packaging. Through these efforts, we have achieved significant cost reductions while ensuring performance and quality comparable to existing products through production in Vietnam. We have also significantly revised our

lineup of shapes and sizes to make products available to customers in various regions overseas. In this way, our role is to reduce the cost of existing products that have reached maturity and decline in the product life cycle, and to give a competitive advantage to further expand our market share and supply products that can be used by customers for a long time.

Our role is also to serve as a model case for the establishment and operation of overseas production sites. To achieve our 50-billion-yen vision and grow beyond it, it is essential to increase production capacity with a view to establishing new overseas production sites. The operation of overseas production sites is not as smooth as in Japan, due to constraints such as local laws, religion, race, and the degree of economic development. There are also regulatory constraints in medical device production plants, which make it difficult to achieve swift startup. Despite these difficulties, we aspire to contribute to the establishment of a global production system for the Shofu Group in the future by setting up overseas production sites, creating manuals for operations, and building a system for support from head office.



Dental diamond abrasives







## Sales

Message from the executive officer in charge

### Engaging with local communities and growing globally, building on the trust we've earned in Japan

Leveraging the trust and product power we have cultivated in Japan, we have expanded our business into Europe, the Americas, Asia, the Middle East, and Africa. We engage in ongoing dialogues with local dental professionals and sales partners while respecting the differences in culture and clinical environments across countries and regions. I view these trusted partners as part of the Shofu Family, aiming for sustainable growth alongside our brand.

Executive Vice President  
**Kazuhiko Murakami**

#### Achieving our long-term vision is the path toward realizing our corporate philosophy

I joined Shofu after graduating from university, and this year marks my 45th with the company. While working for many years in overseas sales, including posts in the United States, I constantly thought about how to grow this international business into our next pillar, surpassing our domestic operations. I agonized and racked my brains, and worked together with my colleagues to expand our business from Europe and America to China, Southeast Asia, India, the Middle East, and Africa.

The cornerstone of our long-term vision “50-billion-yen vision”, formulated in 2012, is the growth of overseas operations. As the head of sales and as an individual, I am approaching the fifth

medium-term management plan—which was designed to achieve this long-term vision within the set timeframe—with the strong conviction that we will definitely accomplish it.

The important thing is that achieving this long-term vision is not merely about hitting numerical targets, but rather a path toward achieving our corporate philosophy: “Contribution to dentistry through innovative business activities.” For that reason, we are committed to delivering better products both in Japan and internationally, and contributing to dental care that brings happiness to our patients.

#### Accelerating overseas expansion through China's rapid growth, the weak yen, and high-quality product development

Shofu has pursued overseas expansion from a relatively early stage. First, in 1971, we established our first overseas sales office by founding a local subsidiary in California, USA. Then, in 1978, we expanded into Germany, to strengthen our sales operations in Europe. Later, we established a string of global offices in Asia, the UK, and other regions. However, these were all joint ventures with local companies, meaning that only a few of our Japanese employees were stationed overseas.

We began focusing seriously on overseas expansion in 2012. We launched a ten-year vision to grow our sales from around 16 billion at the time to 50 billion by 2022, positioning overseas expansion as a pillar of our business and commencing full-scale allocation of management resources.

In 2022, the final year of the ten-year vision, we marked our 100th anniversary milestone. This ten-year vision was a concept championed by President Negoro (now Chairman), who joined the company the same year as myself. It was a journey that began with a strong determination to do whatever it took to achieve our goals, coupled with a slight sense of bewilderment about where even to begin.

There are three main reasons why we were able to expand into overseas markets. Firstly, the Chinese market, which was entering a period of economic growth driven by its policy of reform and opening-up, served as the driving force. Secondly, the trend in the dollar-yen exchange rate, which had been

around 90 yen to the dollar, shifted. Boosted by the weak yen, we expanded into numerous countries and regions such as India, the Middle East, and Brazil, and successfully developed new markets. Thirdly, recognition and trust in our proprietary products increased at an accelerated rate. Around the year 2000, we developed Giomer, a dental material product line containing our proprietary S-PRG filler technology.

Since then, academic activities targeting dentists through academic conferences and seminars have been successful, and awareness among dentists has increased. With our full-scale efforts toward overseas expansion, these academic activities began to expand on an international scale. Clinical products were added to our image as a company that is strong in dental technology, and sales of products used by dentists expanded further. Together, these factors have enabled us to achieve growth to the point where our proportion of overseas sales exceeds that of domestic sales.

The scale of the global dental materials market is estimated at around 1.8 trillion yen. However, our global market share is still low at around 2%, so there is a lot of room for us to grow by expanding our market share. In fact, we have received numerous messages from individuals in countries and regions with which we do not yet have business dealings, expressing their interest in becoming authorized Shofu distributors. We are exploring the possibility of expanding into these markets.

Our overseas business policy is to increase sales in the Americas, Europe, and Asia, including China, to about one-third of total sales, without relying too much on one country or region to build a solid foothold, while also strengthening sales in new countries and regions.

In developed countries such as Europe, the United States, and Japan, there are fewer people with cavities. Recently, when dental checkups are conducted at elementary schools in Japan, the average number of cavities per person has dropped to 0.56 (less than one). On one hand, this is due to the spread of correct knowledge about toothbrushing and the evolution of toothbrushes and toothpastes. On the other, the range of dental treatments has expanded, from treatment of tooth loss due to periodontal

disease, to treatment of accidents and injuries, to orthodontics. Treatment to extend healthy life expectancy is also necessary as social aging progresses.

In contrast, in emerging countries such as India, Brazil, and Mexico, which have large populations and large patient numbers, demand for dental care is expected to expand dramatically in the future based on economic growth and living standards.

In this way, dental treatment varies depending on the economic situation and degree of development of each country and region, which continue to change. In developed countries, we will strengthen our business base and seek to expand our market share. In emerging countries, we will strengthen our dominance in the dental care market while expanding our sales channels.

#### Responding to medical device regulations and needs that vary by country and region

Medical device regulations and trends differ depending on the country and region. For example, in Japan, where all citizens are required to have public medical insurance, caries, periodontal disease, and basic prosthetic treatments are all covered by insurance. Although the number of implants and orthodontics not covered by insurance is increasing, the proportion is not high, and the proportion of materials covered by insurance is larger in our company.

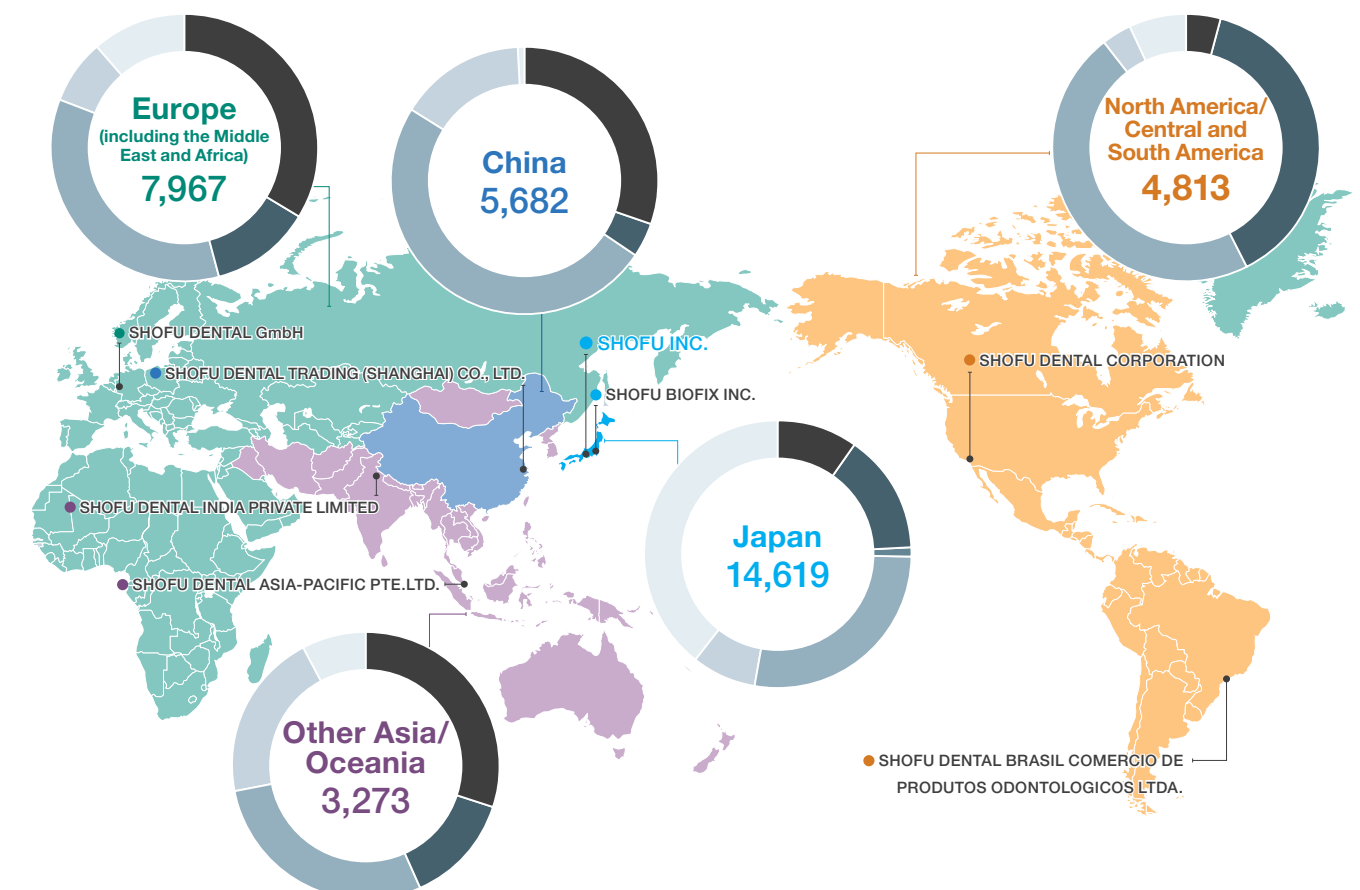
At the same time, while medical insurance systems vary from country to country, making it difficult to generalize, in major European countries and the United States, public medical insurance covers only around 20% (of treatments), and there are various restrictions, such as an upper limit on the amount. Of course, if patients pay for advanced treatments, then they

can receive them. But the longer the treatment lasts, the more expensive it becomes, so patients tend to choose a plan that lasts for a short period of time. As manufacturers, we must also develop and provide products that meet such demands.

Additionally, in recent years, China—where imported products have been dominant in the past—has been rapidly stepping up domestic production. For this reason, we have begun to gradually increase the number of products being processed into China-specific products at our factories in China from materials imported from Japan. Similarly, there is a movement toward domestic production in India and some parts of the Middle East. In these countries, we will consider developing products that meet the local needs of each region, with a view to establishing local production sites.

#### Shofu Group (dental business) sales office and sales structure

(Million yen) ● Artificial teeth products ● Abrasive products ● Metal products ● Chemical products ● Cement products  
● Machinery, Equipment & Other products.





## The SHOFU brand that we have built together with dental professionals

As a manufacturer involved in medical care, our mission is to ascertain market needs from dentists and other dental professionals to create better products for patients. Working to address social issues through business is also our raison d'être as a company.

To do this, communication is essential. First, we closely exchange information with overseas subsidiaries and other companies within the Group, and then we link this to research and development. Before the COVID-19 pandemic, representatives from each site gathered at head office once or twice a year to exchange information. Currently, we are using the web to increase communication opportunities through collaboration, from domestic and overseas management to sales and R&D teams on a monthly basis. I feel that this has led to a faster pace of product development.

What is even more important is honest feedback from dental professionals. Dental professionals are the ones who provide the actual treatments using the dental materials and medical equipment we make. We hold workshops and study sessions not only in Japan but also in other countries and regions to share tips and new ideas used in clinical practice with dentists and dental technicians, and to use such information in the

creation of our products. We also occasionally invite dentists from overseas to Japan to explain our products in more detail and provide opportunities to interact with dentists in Japan.

Dental materials are items that will continue to be used in the mouths of patients for many years. They are medical devices that require not only safety and security, but also durability, functionality, and aesthetics. That's why I always ask dental professionals to become part of the Shofu family. Although we as manufacturers are the sellers and dental professionals are the buyers, as manufacturers we want to provide better dental materials than any other company, while dental professionals want patients to be healthy. In this sense, we are all heading towards the same goal of patient happiness. That is why we don't hide anything from each other. We exchange opinions, and link this to better treatment for patients. I feel that this is also an important element that shapes the SHOFU brand. These activities are effectively investments in intangible assets that will generate future profits for Shofu. Going forward, we will continue to refine the SHOFU brand, and link this to further growth both domestically and internationally.



Distributor association (Kyoto head office)



Hands-on seminar (Dubai)

## Working to develop cutting-edge technologies and bring them to treatment facilities as early as possible

It is also our role as a manufacturer to deliver the materials and equipment needed for treatment to dental professionals as soon as possible. Overseas, we have authorized distributors in each country and region, but since we provide a wide variety of products, it is not realistic to have these distributors always keep abundant inventory. For this reason, we have established our own bases in large markets. By securing sufficient inventory at these bases, we are building a distribution network to deliver products to dental professionals quickly.

For example, in India, we ensure sufficient inventory at our office at SHOFU DENTAL INDIA, and deliver products to dental clinics and other facilities quickly through a distribution network of around ten distributors in India. For distributors, this system enables them to purchase only what they need when they need it, thereby avoiding a squeeze on their cash flow. In countries and regions where growth is expected in the future, we will actively build local offices and build sales and distribution networks based on this format of keeping abundant inventory there.

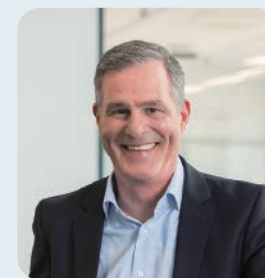
The digitalization of dental care is also currently progressing worldwide. In the past, prosthetics such as dental crowns were manually made by dental technicians, which required time and effort, and there were also issues with differences in

workmanship depending on the technician's skills. However, technological innovation has led to the advancement of digitalization, such as the use of CAD/CAM equipment such as 3D printers and intraoral scanners, which not only reduce the psychological burden on patients but also solve the problem of the shortage of dental technicians.

In Japan, insurance began to cover CAD/CAM crowns for premolars created using digital technologies in 2014, and Shofu—which entered the market early on—has become one of the major players in the digitalization materials market. In the future, insurance coverage is expected to begin for dentures made using 3D printers, and we have already developed related products and launched a selection of them.

In this way, we have continued to read contemporary trends and introduce the latest medical equipment and dental materials to the world. Examples include digital cameras that can be used at dental practices, colorimeters that accurately measure the color of teeth, and systems that accurately reproduce subtle colors. This attitude will not change in the future. We will continue to enhance our products and further accelerate their commercialization, while contributing to dental care that makes patients happy.

## Messages from the managers of overseas sales office



SHOFU DENTAL GmbH  
Managing Director

### Martin Hesselmann

#### Europe, the Middle East and Africa Strive to grow

As legal representative of Shofu Inc., located in Ratingen, Germany, we operate the Marketing and Sales activities in 65 countries to approximately 350 dealers.

The territory is characterized by highly diverse markets, cultures and distribution channels, with an even business ratio of laboratory and chair side products.

To navigate and operate this complexity, our head office and branch offices in Italy, Dubai and the UK.

Markets are changing fast with concentration processes in every segment in the dental field. An increasing number of \*DSO's in lab and chair side is influencing business policies of industry, dealers and end-users. Starting from a family business approach, Europe is facing a strong shift to national and international dealership driven by financial investors purchasing and restructuring the dealer business country by country.

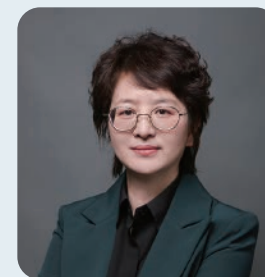
Parallely the online business is growing, and price comparison platforms are offering best prices with low margins. Besides the general margin pressure, the European market enables cross border sales and dealer exclusivity is difficult to handle.

At the same time, the regulations for companies and especially for medical devices

(MDR) are becoming challenging and are causing additional costs and efforts.

To counter this trend, SDG commits to a close relationship management to dealers, key opinion leaders, Universities, dental societies and end users. We invest in the Shofu brand and in education, offering product-based solutions and workflows for a better dentistry. Traditional sales and marketing tools are necessary but costly. In consequence, SDG is exploring alternative instruments for the lead generation. The younger generation of dentists and technicians are using social media intensively, not only privately but also for business purposes. With "CERAMAGE meets digital", we are taking a bold step into the future of digital dentistry, offering solutions that enhance workflows and deliver outstanding results. By combining the analog dental product CERAMAGE with digital dentistry, we motivate dental technicians and dentists to enlarge the indication to achieve high aesthetic results and meet the patients' demand. SDG is facing several challenges and options for the next years, and we are well prepared to meet these challenges with a highly qualified team and modern recourses. Together with our partners, we are shaping the future of dentistry, and I am confident that with our shared vision, there are no limits to what we can achieve.

\*DSO (Dental Service Organization): A business that supports dental clinics with non-medical operations such as business administration and marketing



SHOFU DENTAL TRADING  
(SHANGHAI) CO.,LTD.  
President

### Ma Hong Fang

#### China Navigating Structural Change with Agility and Trust — Shofu's Strategy in China

China's dental market, once marked by rapid growth, now faces a major turning point. Government-led centralized procurement, the diversification of consumer needs, accelerating technological advancement, and healthcare reform are reshaping the industry. The market is shifting from a high-margin model to a broad and equitable service delivery model. At SDTS(Shofu China), we are meeting this transformation with a focus on trust and adaptability.

To avoid price-based competition in increasingly commoditized segments, we clarify our strategic position by focusing on technological leadership, cost efficiency, or targeted segmentation. Beyond being a supplier of materials, we are evolving into a solution-based partner—offering not just products, but services and education.

Our product strategy includes expanding coverage for insurance-reimbursed items,

exploring high-end technologies, and adding value to commoditized products through technical support. We tailor the sales channel strategies based on product and region, as well as the balancing traditional and new distributors. To support over 130,000 dental institutions, we work closely with more than 70 primary distributors and actively manage second-tier networks.

Our core strength is academic marketing. We host over 200 educational events each year to build brand recognition and trust. With 77 employees—including 20 technical specialists—we offer close support to the sales and marketing front lines. Shofu has established a second plant in Changzhou, China for responding the rapidly changing Chinese markets in this year.

Amid China's complex and evolving market, we remain committed to flexibility, integrity, and partnership with dental professionals.



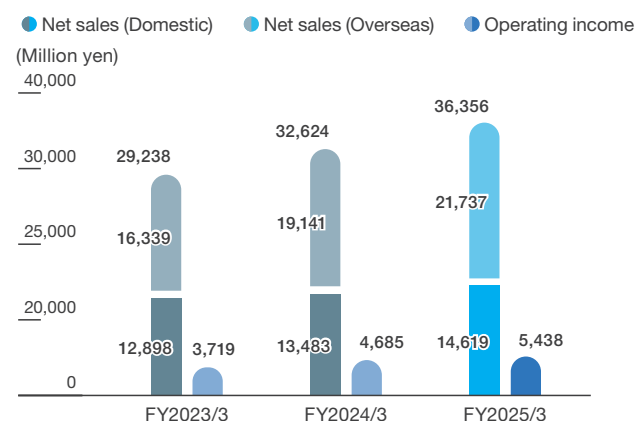
# Business Overview

## Dental Business

### Line of business

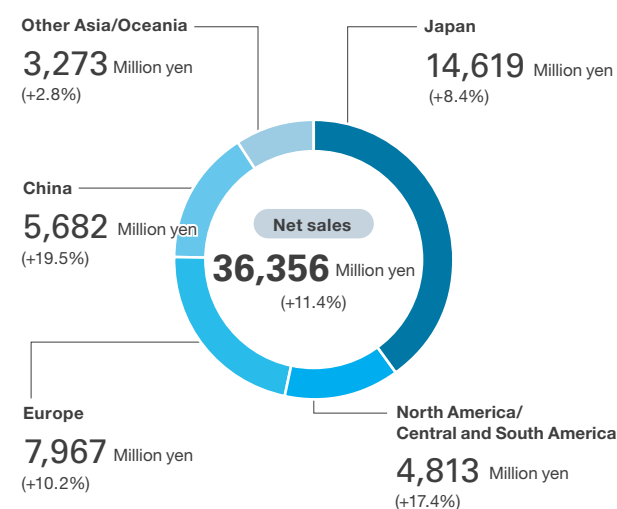
In the dental business, Shofu manufactures and sells dental materials and equipment used in dental treatment and techniques. Through domestic and international sales office, we sell our products in dental markets around the world.

### Net sales / Operating income



### Sales by region (FY2025/3)

\*(vs previous FY)



## Domestic

### Market environment

- Although the Japanese economy has achieved a moderate recovery aided by improvements in employment and income conditions and the effects of policies, the recovery in personal consumption has remained sluggish due to rising prices.
- In the dental industry, while on one hand the market is evolving against the backdrop of digitalization and demand for preventive dentistry, there was a need to respond to revisions to medical fees and products with efficiency and operability.

## Overseas

### Market environment

- In the United States, while the economy has shown a trend toward recovery against the backdrop of subsiding inflation, there is emerging uncertainty over tariffs and other policies.
- In China, demand for high-added-value products has increased due to the expansion of advanced dental care, especially in urban areas. Policy changes such as centralized procurement and preferential treatment for domestic products are also being implemented.
- In Europe, there is steady demand for dentistry against the backdrop of stable healthcare systems, with stable demand primarily in prosthetics and aesthetics.

### North America/Central and South America

Sales in North America remained strong, led by filling and restoration materials, and we achieved double-digit growth in local currency terms. Although supply was temporarily constrained by tight domestic production, stable supply was realized with the establishment of a system to increase production, and we shifted to proactive sales activities. We also expanded our coverage and focused on strengthening our sales base. In Latin America we have worked to strengthen our sales structure with an eye to future expansion in view of significant growth potential, not only by improving our product lineup but also building relationships with key opinion leaders (KOLs) and analyzing market needs.

### China

In China, chemical products such as filling and restoration materials and hard resin for crowns grew significantly, driving sales growth. In addition to developing products that meet local needs, we have steadily increased our brand's awareness and credibility through year-round seminars and collaboration with KOLs. As a response to the domestic production policy, we are preparing to start production at a new plant in Changzhou, Jiangsu Province. Going forward, we will enhance cost competitiveness and supply stability through local production to strengthen our competitive advantage.

CAD/CAM materials grow with the support of expanding insurance coverage, with steady results in the preventive and digital fields

### Business activities in FY2025/3

We have sought to increase sales by strengthening our proposal sales in combination with related equipment, primarily with the CAD/CAM material SHOFU BLOCK PEEK that began to be covered by insurance in December 2023. We have also helped bolster trust in dental medical institutions by introducing products that combine advanced and clinical needs, such as digital cameras that can be used in dental practice and zirconia discs. In the field of preventive dentistry and healthcare, we have expanded our market base by reaching the general public through dental clinics, primarily with the Merssage series.

Achieved double-digit growth primarily in chemical products, with success stemming from responding to local needs and strengthening the supply system

- In the Middle East and Africa, interest in high-performance materials is growing due to the increasing prevalence of dental care and improved healthcare standards.
- In Asia and Oceania, while the situation varies from country to country, the common trend is the widespread penetration of dental care and the improvement of medical technologies.
- There is growing demand for digitalization, preventive dentistry, and aesthetics in each region, and product development in line with the maturity of systems and markets is required.

### Europe

In Europe, sales of chemical products and artificial teeth have remained strong, with filling and restorative materials and CAD/CAM materials (zirconia discs) driving growth. In the field of prosthetics, Merz Dental products are being used to develop proposals tailored to regional characteristics. Interest in high-performance materials is also growing in the Middle East and Africa, and we have strengthened our efforts to disseminate information. We are also steadily advancing our compliance with the European Medical Device Regulation (EU MDR).

### Other Asia/Oceania

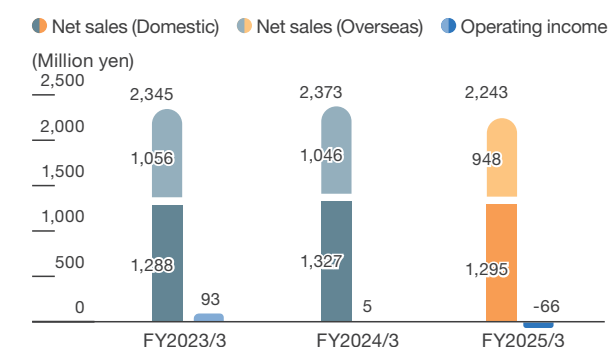
In Asia and Oceania, we have strengthened our sales structure, primarily in India, and maintained stable sales of prosthetic products such as porcelain and cement. Chemical products in Asia have also performed steadily, driving brand penetration, with the lifting of supply constraints providing an additional boost. We have continued to develop our sales base while responding to different regulatory regimes.

## Nail care business

### Overview

In Japan, sales of ARTiS di Voce increased, but our mainstay products struggled due to market maturity and commoditization. Overseas, sales decreased due to the effects of inflation and import restrictions. In this changing environment, we continue efforts to maintain brand value and pursue renewed growth.

### Net sales / Operating income

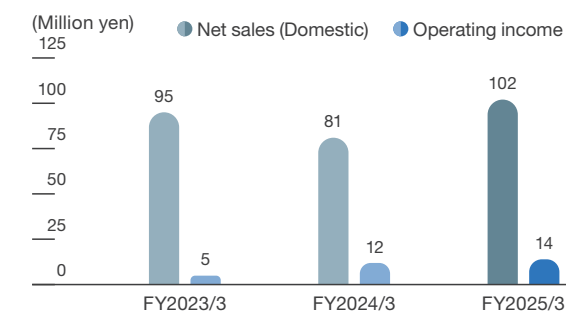


## Other Businesses (Industrial Polishing Materials)

### Overview

Sales exceeded those of the previous year due to a recovery in demand, primarily in the automotive industry, and orders recovered with inventory adjustments. Despite the instability of exchange rates and some markets, the development of new transactions also progressed, and performance remained strong.

### Net sales / Operating income





Finance

Message from the executive officer in charge

Strengthening growth investments while maintaining a sound financial structure

Shofu is strengthening growth investments to achieve its 50-billion-yen vision. Going forward, we will increase investment in intangible assets and strengthen shareholder returns while maintaining an appropriate level of equity capital to hedge business risks.

Representative Director,  
Senior Managing Executive Officer  
**Takahiro Umeda**

Financial summary for FY2025/3

Sales grew, primarily for chemical products (key products) and overseas products, and operating income increased by +14.5%.

In our consolidated financial results for FY2025/3, we were able to achieve stable growth in both sales and profits, driven by the strengthening of our competitiveness in the digital dental market and the results of our sales strategies in overseas markets. We achieved record highs for net sales (for the fourth consecutive fiscal year), operating income and ordinary income (sixth consecutive fiscal year), and net income (fifth consecutive fiscal year). We were also able to improve capital efficiency, with ROE at 10.3% (9.5% in FY2024/3) and ROA at 8.6% (7.8% in FY2024/3).

Net sales were 38.69 billion yen, an increase of 3.61 billion yen, or 10.3% year on year, driven by forex movements. The breakdown of net sales was 16.01 billion yen in Japan (a 7.5% increase) and 22.68 billion yen overseas (a 12.4% increase), and the ratio of overseas sales increased to 58.6%. In the dental business, sales were strong, primarily in the US and Asia, due to strong sales of digital cameras that can be used for dental care and CAD/CAM-related products in Japan, and sales of chemical products such as filling and restoration materials increased overseas in all areas. On the other hand, sales in the nail business decreased as a result of intensified competition due to the commodification of the market.

Despite an increase in selling, general, and administrative (SG&A) expenses, operating income increased by 680 million yen (14.5%) vs FY2024/3 to 5.39 billion yen, resulting in an ratio of operating income to net sales of 13.9%.

Due to the posting of foreign exchange losses of 110 million yen on non-operating expenses, the increase in ordinary income narrowed compared to the increase in operating income. Ordinary income increased by 400 million yen (7.9%) vs FY2024/3 to 5.52 billion yen.

Sales of investment securities held continued in the fiscal year under review. In addition to recording gains on sales of 680 million yen, losses on retirement of non-current assets of 50 million yen resulted in net income of 4.31 billion yen, an increase of 660 million yen (18.1%) vs FY2024/3.

Looking at our balance sheet, the balance of assets at the end of the fiscal year was 49.99 billion yen, (-90 million yen vs FY2024/3.) While strong performance has led to an increase in

inventories, the sale of cross-shareholdings and falling share prices have led to a decrease in investment securities.

Liabilities were 7.25 billion yen (down 1.22 billion yen year on year). As a result of reducing loans payable, we repaid the full amount at the end of the fiscal year.

Net assets were 42.73 billion yen (+1.12 billion yen vs FY2024/3). As a result of an increase in retained earnings due to increased profits, our equity ratio at the end of the fiscal year increased by 2.5 points to 85.2%.

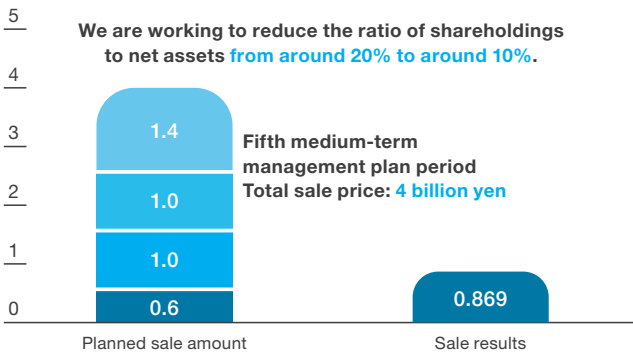
Cash flows from operating activities were positive at 3.44 billion yen (+350 million yen vs FY2024/3) due to an increase in profit driven by strong performance. Cash flows from investing activities were negative 910 million yen (+380 million yen vs FY2024/3) due to the purchase of property, plant and equipments. As a result, free cash flow was positive 2.53 billion (+730 million vs FY2024/3).

In addition, four cross-shareholding stocks were sold entirely, and one was partially sold, with the proceeds from the sales of 860 million yen used to pay increased dividends and other expenses.

As a result, the balance of cash and cash equivalents at the end of the fiscal year was 10.06 billion yen (+ of 1.03 billion yen vs FY2024/3), so we were able to maintain a high level of liquidity on hand.

Progress in sales of cross-shareholdings

(billion yen) ● FY2025/3 ● FY2026/3 ● FY2027/3 ● FY2028/3



Earnings forecast for FY2026/3

Excluding forex movements, operating income is expected to increase

In the earnings forecast for FY2026/3, net sales are expected to reach a record high for the fifth consecutive fiscal year. While operating income and ordinary income will decrease due to the impact of the appreciating yen, net income is expected to reach a record high for the sixth consecutive fiscal year, since the sale of cross-shareholdings is expected to continue from FY2025/3.

Net sales are expected to be 40.87 billion yen, an increase of only 2.17 billion yen (5.6%) vs FY2025/3 due to the impact of the appreciation of the yen, but we plan to maintain strong performance in all areas, both in Japan and overseas, primarily in chemical products.

Selling, general, and administrative (SG&A) expenses are expected to increase by 1.41 billion yen, primarily due to personnel costs associated with strengthening sales systems in overseas regions. As a result of this increase, combined with the anticipated impact of forex movements, operating income is expected to decrease by 150 million yen (2.9%) vs FY2025/3 to 5.23 billion yen. Ratio of operating income to net sales is also expected to decrease by 1.1 points to 12.8% vs FY2025/3. Ordinary income is expected to decrease by the same degree due to a decrease in operating income.

Net income is expected to be 4.70 billion yen, an increase of 8.9% vs FY2025/3, due to extraordinary income of 1.12 billion yen, including gains on the sale of investment securities.

Financial and capital strategy

Awareness of capital efficiency, strengthening growth investments and shareholder returns

We are currently pursuing the fifth medium-term management plan (FY2025/3-FY2028/3). In the final year, we aim to achieve the 50-billion-yen vision that we have set as our long-term vision so far. To do so, it is important to continuously improve profitability, maximize capital efficiency, and implement capital policies to support them. These are essential not only for the pursuit of short-term profits, but also for realizing financial and capital strategies from a long-term perspective, which will also lead to the construction of a flexible and resilient management base that can withstand future changes in the environment.

During the current medium-term management period, we plan to generate a total of 17.6 billion yen in operating cash flow. Using these funds as a source of capital, we plan to allocate 15.3 billion yen for strategic growth investments and 7.3 billion yen for shareholder returns. These expenditures will be selectively allocated to areas that contribute to future growth potential and risk tolerance, aiming to make optimal use of limited resources.

As for the breakdown of growth investments, in addition to making our largest capital investments ever to update and expand production facilities, we will also invest in areas such as strengthening R&D capabilities, improving supply systems for global markets, and improving operational efficiency using digital technologies. In particular, with the rapid progress of digitalization in the dental care industry, continuous investment in R&D areas is essential to maintain and strengthen competitiveness. While Shofu has consistently made proactive R&D investments, we believe it is necessary to further strengthen them.

On the other hand, in our capital strategy, we are implementing management with an awareness of the cost of capital, to achieve a sustainable increase in shareholder value. As a result of our emphasis on financial soundness and steady growth while suppressing risks, we have maintained a high equity ratio and became debt-free at the end of the previous fiscal year. However, we believe it is necessary to shift toward more proactive capital management, adopting the perspective of investors who emphasize capital efficiency. In the

event of further strategic investments or M&A in the future, we can actively utilize interest-bearing debt based on a sound financial position to achieve both growth and shareholder returns while improving capital efficiency. On the other hand, in the expected interest rate rise environment in the future, it will become even more important to assess both the financial leverage effect of the use of interest-bearing debt and the impact on profits and losses.

Under our medium-term management plan, we are also working to improve asset efficiency. As a representative measure, we are working to reduce cross-shareholdings. In FY2025/3, we sold all or part of our cross-shareholdings in five stocks. We aim to increase our corporate value by reviewing the strategic significance of such cross-shareholdings over the medium- to long- term, sequentially selling stocks that are less necessary, and using the proceeds of these sales to reinvest in growth areas and shareholder returns. In this way, we plan to reduce our ratio of cross-shareholdings to net assets to around 10% in the medium-term management plan, which is also in line with the improvement of capital efficiency and the deepening of dialogue required as a company listed on the prime market.

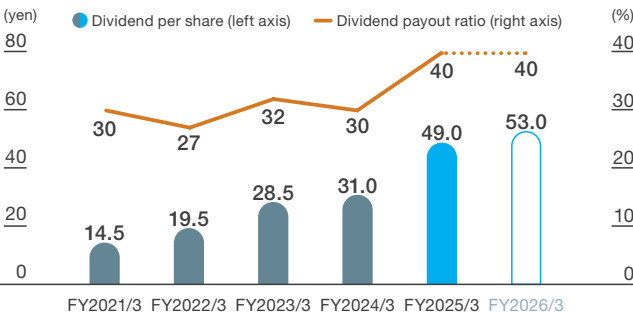
In terms of our shareholder return policy, we plan to return 7.3 billion yen to shareholders based on the approach of developing a flexible and agile capital policy based on stable dividends. We have already changed our dividend policy, raising our consolidated dividend payout ratio from 30% or more and dividend on equity (DOE) of 1.7% to a consolidated dividend payout ratio of 40% or more and DOE of 3.0% or more. We also executed a 1:2 stock split with September 30, 2024 as the date of record. I would like us to enhance shareholder returns while balancing profit levels and investment plans, and make the Company even more attractive to investors and shareholders.

I also believe that it is essential to integrate with ESG perspectives in our financial strategy. In particular, as a financial initiative to support sustainable management, we are working to reduce financial risks and increase social value over the long term by upgrading energy-saving equipment that contributes to decarbonization, introducing renewable energy, and developing environmentally friendly products. Such investments in non-financial capital will help us to become more resilient and profitable as a company in the long term.

From a corporate governance perspective, we are also increasing the level of linkage with our financial strategy. Shofu has established a supervisory system that ensures the independence of outside directors, and has strengthened checking functions for decision-making on capital policy and large-scale investments. Additionally, by reflecting external perspectives in management, we fulfill our responsibilities for corporate accountability and achieve a highly transparent financial strategy.

Going forward, we will continue to invest in intangible assets such as R&D capabilities, manufacturing infrastructure, human resources, and brands, centered on a financial strategy that balances business profitability and capital efficiency, with the aim of improving overall corporate value from both financial and non-financial aspects.

Strengthening shareholder returns



\* The Company executed a 1:2 stock split of its common stock with September 30, 2024 as the date of record. Figures have been adjusted to reflect the 1:2 split.



# Social

Based on the ideas that human resources are the very source of creating new value and that the sum of the responsibilities performed by individual employees is the value of the Company, we aim to foster an organizational culture and realize a work environment that enable each and every member of the Shofu Group to demonstrate their abilities to the fullest and work energetically, by respecting diversity and providing opportunities for every individual to learn and grow.

## Human resource development

Shofu's education and guidance policy is to develop creative, proactive, and responsible employees capable of responding to changes. We prepare education and training for employees to acquire knowledge and skills and develop their qualities as members of an organization according to their growth. Our goal is to develop human resources who can anticipate changes in the business environment, think about what needs to be done to achieve organizational goals, and have the strong will to take on challenges rather than simply perform assigned tasks proactively.

To develop core human resources who can play active roles globally, we actively conduct training programs and language training to enable employees to acquire the necessary grounding as international citizens and borderless business acumen, including an understanding of different cultures, knowledge of various business practices, and a broad perspective.

Category	Training name
Training by job level	Training for new directors, training for new department managers, training for promotion to managerial position, training for newly appointed managers, training for newly appointed performance appraisers, training for newly appointed assistant managers, training for newly appointed assistant managers (chiefs), education for newly hired employees, education for prospective employees, management training, training for midcareer employees, follow-up training for new employees, etc.
Selective training	Leader development training for women's participation and advancement, career advancement training for women's participation and advancement, sales meetings, presentation training, R&D training, DX promotion education, next-generation executive (selection) training
Global training	Overseas dispatch training (long-term and short-term), global human resources training
Support for self-development	Distance learning assistance, assistance in obtaining qualifications, online English training

## Creating a comfortable work environment

As part of its efforts to create a comfortable work environment, Shofu has enhanced its support system for employees' life events, such as childcare, nursing care, and personal injury and illness, by providing leave, holidays, and shorter working hours, each of which exceeds the legal requirements.

As part of our efforts to prevent long working hours, we have been regularly checking the actual status of working hours through the collaborative efforts of labor and management to examine and implement measures for improvement, to understand and optimize actual working hours, reduce total

working hours, and solve various other problems related to working hours. Through these activities, we aim to improve productivity by reducing overtime and work on holidays and shortening total working hours.

### Details of human resources initiatives

<https://www.shofu.co.jp/contents/hp2004/index.php?No=2015&CNo=2004>  
(In Japanese only)

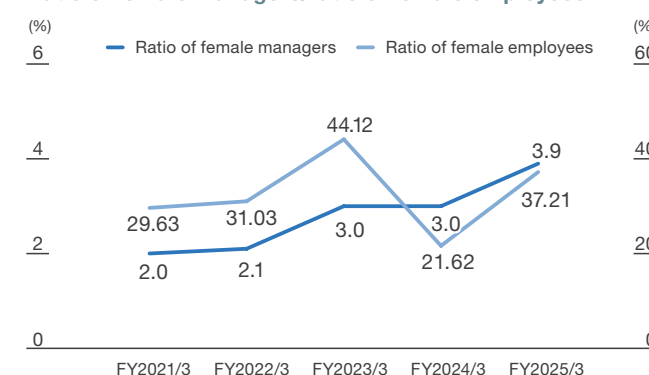


## Diverse human resource activities

As part of our diversity management, Shofu is working to identify and address issues in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace to promote women's participation and advancement. Challenges include the low ratio of women in employment and the low number of women in leadership positions. For each of these issues, Shofu aims to raise the ratio of women in employment to 30% or more on average and continue to provide training for women to encourage them to take up management positions.

In addition, we aim to create an organization where diverse human resources can play active roles, such as promoting the active participation of elderly (senior) employees with abundant experience and diverse skills and foreign human resources who can adapt globally, as well as promoting the employment of people with disabilities.

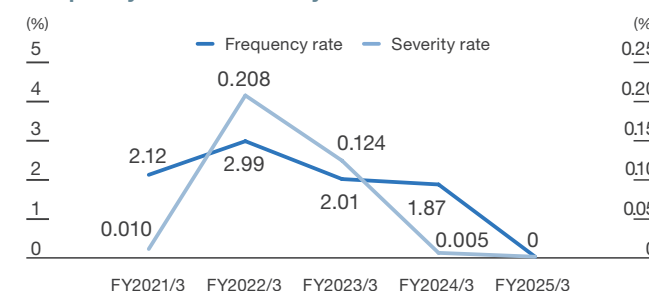
### Ratio of female managers/ratio of female employees



## Occupational safety and health

Our Safety and Health Committee, which is composed of both labor and management, takes a central role in conducting surveys, considering and implementing measures relating to safety and health, and conducting enlightenment activities, as well as working to create a comfortable work environment by preventing industrial accidents and diseases, investigating causes, and preventing recurrences. Each workplace implements near-miss and 3S activities (seiri / organizing, seiton / tidying and seiso / cleaning the workplace) to create a comfortable work environment. We also provide biannual training for workplace representatives to educate them on safety and health.

### Frequency rate and severity rate



## Health and productivity management

Based on our corporate philosophy, when addressing the four priority themes of sustainability management, we engage in "health and productivity management," which is an approach towards promoting and maintaining employees' health with a business management perspective.

Working in cooperation with health insurance societies, industrial doctors, labor unions, and other stakeholders, we are making efforts to address various health issues and improve measures for the physical and mental wellbeing of our employees, toward the goal of creating a "nice and comfortable workplace gleaming with healthy teeth," where every employee can work energetically, and with a sense of fulfillment. As a result of these activities, we were recognized in the 2025 Certified Health and Productivity Management Organization Recognition Program (Large Enterprise Category).

## Health and productivity management initiatives

### 1 Promoting physical health

- Education and training for employees on oral hygiene
- Measures to encourage employees to receive dental consultations
- Encouraging regular health checkups, lifestyle-related disease checkups, etc. (target: 100% every year)
- Measures to improve the implementation rate of specific health guidance (for prevention of lifestyle-related diseases)
- Securing opportunities for (half-day) comprehensive medical checkups
- Measures to prevent passive smoking (relocation of smoking areas, etc.)
- Formulating process evaluation indicators and promotion plans for highpriority health issues, other measures necessary for promoting and maintaining employee health

### 2 Promoting mental health

- Measures to increase the rate of stress checks
- Efforts to improve the workplace environment based on verification of results of stress checks
- Formulating interview standards for employees working long hours, and establishing a system for interviews with industrial doctors, etc.
- In-care and self-care education





## Personnel

Message from the executive officer in charge

### Accelerating global expansion through enhanced talent development

One of the priority issues in our fifth medium-term management plan is developing and securing human resources to drive overseas expansion actively. In this section, I will explain my mission and aspirations to realize our corporate philosophy, as well as my efforts to develop human resources and foster our organizational culture.

Managing Executive Officer  
**Shinya Teramoto**

#### Contributing to the realization of our corporate philosophy through human resources development and fostering an organizational culture

Dental care is not just about eliminating pain. An important part of it also means enabling patients to enjoy their food, have a refreshing smile, and live a healthy and comfortable life. As our corporate philosophy—"Contribution to dentistry through innovative business activities"—demonstrates, it can be said that our business of delivering excellent dental materials and equipment to the

world is a job with a very high level of social contribution. It is my understanding that it is my mission to foster an organizational culture where each and every Shofu Group employee can empathize with our corporate philosophy, maximize their abilities, and work energetically.

#### Developing human resources to realize our corporate philosophy

While it goes without saying that it is important to recruit and train employees with creativity, a proactive attitude, and a sense of responsibility in realizing our corporate philosophy, with the fifth medium-term management plan we are targeting human resources development in particular and working on the following issues.

##### Promoting women's empowerment

Currently, the ratio of female dentists is increasing, particularly among younger generations, and female students now account for nearly half of all dental students. Additionally, given that the majority of dental hygienists—professionals who support oral health—are women, managing our business from a male-biased perspective is nothing but a risk, let alone the social demand to work for women's participation and advancement. Our current situation cannot be said to meet the required level, so there is a pressing need for us to develop core female human resources. Although we cannot leap forward from the current situation, to create a pool of female managerial candidates we set a target female employee hiring ratio of 30% or more, and achieved our target of 37.2% in FY2025/3. We are also working to enhance both quantity and quality by dispatching female leader candidates to exchange training with local companies and soliciting participation in a wide range of external training.

##### Global human resources

We have placed the focus of our growth overseas and shifted our allocation of management resources there to respond to various issues, but to enable this we need to secure global human resources who can adapt to foreign cultures and have

the ability to solve problems and generate results in the process. In the first year of our fifth medium-term management plan, we set requirements for selecting global human resources and established a training flow for their development. From the second year onwards, we will start training to improve language skills and mindsets based on this training flow, and combine short-term overseas dispatch training as appropriate to drive the development of global human resources.

##### DX human resources

In recent years, digital transformation (DX)—such as the use of CAD/CAM and 3D printing—has progressed rapidly in dentistry, and business models have undergone major transformations. Similarly, since the use of digital technologies can be expected to dramatically change daily business processes, the advancement of DX has been identified as a management issue. In order to develop human resources who can promote DX at our company, we defined selection requirements for DX human resources as well as global human resources, and established a training flow. In the first year of the fifth medium-term management plan, all employees, including officers, took DX literacy training to foster an understanding and awareness of our company-wide DX strategy. From the next fiscal year onwards, we plan to conduct selection training to create human resources who utilize AI and data with an even higher level of knowledge.

##### Next-generation management

As part of our efforts to develop human resources in the fifth medium-term management plan, we have begun training the next

generation of management personnel to ensure that important positions in management strategy are not lacking in the future. We have established a process flow for screening, selection, and training, and train employees with a sense of duty and challenge based on this program, enabling them to acquire skills such as leadership and decision-making skills, as well as finance-related knowledge, through experience and education. Based on the age of the current management, we set the target group to be trained at the section manager and assistant manager level from around

40 years old, and narrow down the target group after confirming the intentions of each individual, conducting assessments by external organizations, and conducting interviews with the Personnel Department. After this, in addition to teaching the basics of business administration through external training, we will systematically develop management personnel over sufficient time through tough assignments. In addition, the management talent pool will be reviewed periodically to ensure sufficient quantity and quality.

#### Efforts and progress toward creating a corporate culture of attempting change

In order to achieve the final goals of our fifth medium-term management plan, which are group sales of 50 billion yen and operating income of 7.5 billion yen, each and every employee working in the Shofu Group is required to achieve a high level of taking on the "challenge of change," which is a code of conduct. To foster such a corporate culture, we are working to create a workplace environment where people feel work is rewarding and comfortable, encouraging them to participate with high motivation.

We have been working actively to help employees maintain and improve their health, and to improve safety and health. As a result of systematically developing these measures and implementing health and productivity management from a management perspective, we were recognized in the 2025 Certified Health and Productivity Management Organization Recognition Program (Large Enterprise Category) certification as in the previous fiscal year. As a new initiative, we held a roundtable discussion on the theme of childcare and work, to revitalize internal communication, discussed changes in lifestyles and how to approach work, and disclosed and shared details in the Group newsletter. Working in cooperation with health insurance societies, industrial doctors, labor unions, and other stakeholders, we are making efforts to address various health issues, toward the goal of enabling every employee to work energetically, and with a sense of fulfillment.

We already have an environment for balancing work and home

life, including not only childcare, but also nursing care and support for employees' own injuries and illnesses. As a result, our childcare leave acquisition rate has reached 100% for women and 60% for men. Under the fifth medium-term management plan, we are also working to obtain Kurumin Certification as a company that supports childcare. After reorganizing our General Employer's Action Plan, we continue to provide childcare support required for certification requirements. By acquiring these certifications, we aim to improve our corporate image, attract and retain talented human resources, and improve the vitality of our employees, which in turn will lead to an increase in workforce productivity.

To create an environment where all employees are respected and can demonstrate their abilities with peace of mind, we have been conducting mental health and harassment training through e-learning every year. In FY2025/3, we conducted face-to-face harassment training for all officers and managers. By helping employees to understand their own behavioral characteristics through EQ tests and set goals based on those characteristics, we encouraged behavioral change. We will continue to provide face-to-face harassment training to general employees too from FY2026/3 onwards, aiming to create a workplace with a higher level of psychological safety than ever before.

- Providing educational and growth opportunities (career path formulation)
- Developing global human resources
- Developing DX human resources (reskilling)
- Training management (middle) leaders

Securing human resources with the skills necessary to achieve management goals

Enabling a rich life while working, enriching both work and private life

Fostering a rewarding organizational culture and human resource development

Creating an environment where all employees are respected and can demonstrate their abilities with peace of mind

Building a system for optimizing human resources management and talent management

- Support for child-raising generations (Kurumin certification)
- Creating an environment where employees can maximize their abilities (health and productivity management)
- Realization of work-life balance (working hours and paid leave)

- Updating our core HR system for company-wide optimization and talent management

## TOPIC

### Symbolic initiatives in the department in charge

Our uniform was changed to the current one shortly after I joined the company, and although minor changes were made due to obsolescence, etc., it has not changed significantly for nearly 40 years. The biggest problem with the current uniforms is that they are gender-segregated, and that there are sizes for each gender and department, which has put a heavy burden on inventory management and volume.

In the fifth medium-term management plan, as part of solving the issue of promoting diversity and inclusion, we proposed a uniform renewal, recruited members from various departments within the company (primarily young

members of the Personnel Department), and asked them to consider unisex and functional uniforms as a project team. The final designs were narrowed down to three types for each item, and the new uniform was decided through a company-wide questionnaire. After this, we will check sizes, etc., and aim for introduction by the end of 2026. At the same time, we will abolish the obligation for employees in indirect departments to wear uniforms.

By responding to the needs of those who want to work in their own way, we hope that this will lead to the creation of an environment where all employees are respected and can demonstrate their abilities with peace of mind.



# Governance

Shofu conducts business activities in fields of a highly public nature under its corporate philosophy, “Contribution to dentistry through innovative business activities.” To sustainably conduct such business activities, it is essential for us to fulfill our social responsibilities. To do so, it is necessary for us to maintain medium- to long-term sustainable growth through the enhancement of corporate governance. It is our policy to enhance corporate governance in accordance with the five basic approaches presented below.

- 1 We respect and effectively secure shareholders' rights.
- 2 We consider the interest of stakeholders including employees, customers, business partners, creditors, and local communities and appropriately cooperate with them.
- 3 We proactively disclose the Company's information.
- 4 The Board of Directors appropriately fulfills required roles and responsibilities to ensure fiduciary responsibility and accountability to shareholders.
- 5 We hold constructive discussions with shareholders.

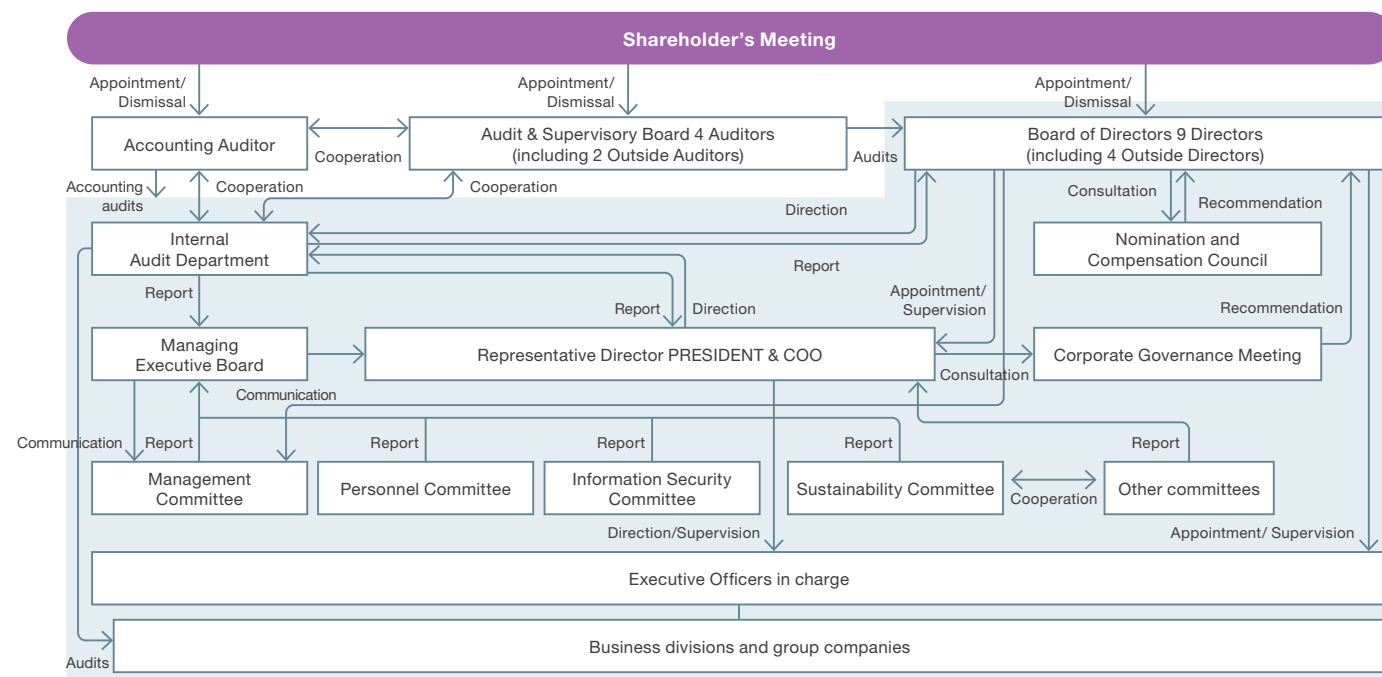
For our corporate governance policy, please refer to our Corporate Governance Guidelines.

[https://www.shofu.co.jp/core\\_sys/images/main/sustainability/pdf/CG\\_guide-20250625.pdf](https://www.shofu.co.jp/core_sys/images/main/sustainability/pdf/CG_guide-20250625.pdf)  
(In Japanese only)

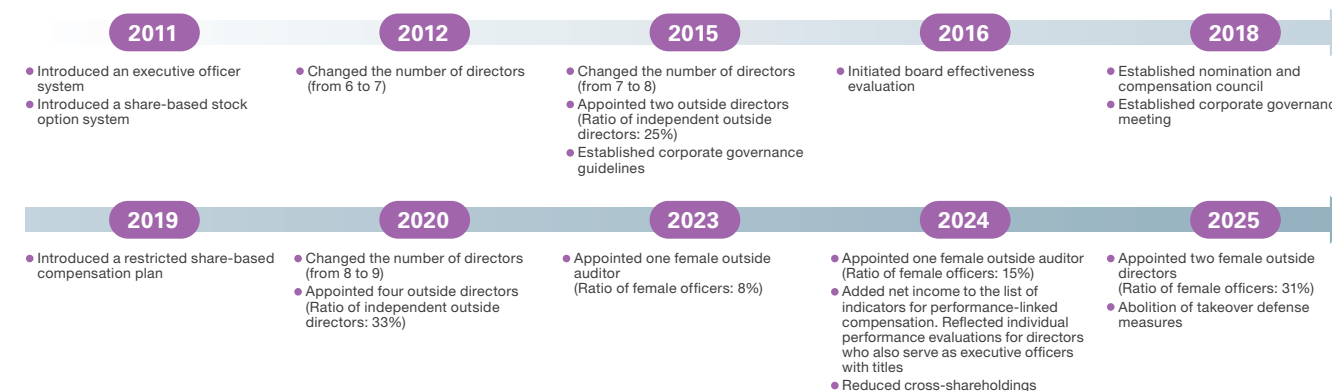


## Corporate governance structure

The Company has adopted a Company with an Audit & Supervisory Board model as its organizational structure under the Companies Act, and has established a Board of Directors, an Audit & Supervisory Board, and an Accounting Auditor, as well as an executive officer system to separate the execution of business from the supervisory function, and engage in rapid business development. In addition, we have established the Nomination and Compensation Council with majority membership consisting of outside directors and the Corporate Governance Meeting as advisory bodies to the Board of Directors, in order to strengthen the Board's supervisory function.



## History of strengthening corporate governance



## Structure and overview of main meeting bodies

Name	Overview	Number of meetings in the fiscal year ended March 31, 2025
Board of Directors	Makes decisions on important matters stipulated under the Companies Act, formulates management plans and annual plans, supervises the execution of duties by representative directors and other directors.	17 times
Nomination and Compensation Council	Deliberates on matters relating to the appointment and dismissal of directors, the selection and dismissal of representative directors and directors with titles, compensation of directors, succession planning (including training), etc., in response to calls for advice from the Board of Directors, and reports its findings to the Board of Directors—in order to enhance the fairness, transparency, and objectivity of procedures relating to the nomination and compensation of directors.	3 times
Corporate Governance Meeting	Deliberates on management strategies and management plans in response to requests for advice from the president and representative director, and reports to the Board of Directors—in order to achieve sustainable growth of the Company and increase corporate value over the medium to long term.	4 times
Managing Executive Board	Reviews and makes decisions on particularly important matters, such as matters submitted for discussion by the Board of Directors, matters delegated by the Board of Directors, and other strategic matters relating to business management.	50 times
Management Committee	Communicates resolutions of the Board of Directors and the Managing Executive Board, and conducts preliminary discussions between divisions, expresses opinions on important matters, and exchanges opinions among members as necessary.	12 times
Personnel Committee	Established as a deliberative and discussion body for all aspects of personnel policy, including personnel systems, human resources development, and human resources utilization.	12 times
Sustainability Committee	Deliberates on the formulation of basic sustainability policies, strategies, and plans, sets indicators as targets, and monitors the status of initiatives.	2 times
Information Security Committee	Deliberates on information security issues, including formulating basic information security policies, strategies, and plans, and evaluating the state of compliance with information security policies.	2 times

## Evaluation of effectiveness of the Board of Directors

The Company evaluates and analyzes the effectiveness of the Board of Directors with the aim of improving the Board's functions.

### Results of Board of Directors effectiveness evaluation and efforts to improve

Fiscal year	Identified issues	Improvement measures and results
2022	<ul style="list-style-type: none"> <li>Proposals discussed by the Board of Directors</li> <li>Sustainability discussions</li> <li>Executive training and knowledge acquisition opportunities</li> <li>Board meeting materials</li> </ul>	<ul style="list-style-type: none"> <li>Revision of board meeting agenda standards</li> <li>Resolutions on information disclosures based on TCFD recommendations</li> <li>ESG seminars for officers, etc.</li> <li>Preparation of summaries of board meeting materials, etc.</li> </ul>
2023	<ul style="list-style-type: none"> <li>Discussions on profitability and capital efficiency, etc.</li> <li>Sustainability discussions</li> <li>Proposals discussed by the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Discussions and disclosure of responses to enable management with awareness of cost of capital and share prices</li> <li>Increased frequency of sustainability-related reporting to the Board of Directors</li> <li>Setting of agenda items at board meetings</li> </ul>

### Analysis and evaluation of the effectiveness of the Board of Directors in FY2024

Issues	Future initiatives
1 Discussions on medium- to long-term management strategies	<ul style="list-style-type: none"> <li>Conduct periodic reviews of the Board of Directors and share recognition of its roles.</li> <li>Report to the Board of Directors on the status of consideration of execution of medium- to long-term strategies, and create opportunities for supervision and discussion.</li> </ul>
2 Composition of the Board of Directors	<ul style="list-style-type: none"> <li>Proceed with the selection of director candidates to ensure an appropriate composition of the Board of Directors.</li> </ul>
3 Discussions regarding succession planning for the CEO, etc.	<ul style="list-style-type: none"> <li>The Nomination and Compensation Council will report to the Board of Directors on the content of deliberations and the status of activities.</li> </ul>

Please refer to the following URL for an overview of the analysis and evaluation of the effectiveness of the Board of Directors in FY2024.  
[https://www.shofu.co.jp/core\\_sys/images/main/sustainability/pdf/Board-20250410.pdf](https://www.shofu.co.jp/core_sys/images/main/sustainability/pdf/Board-20250410.pdf)

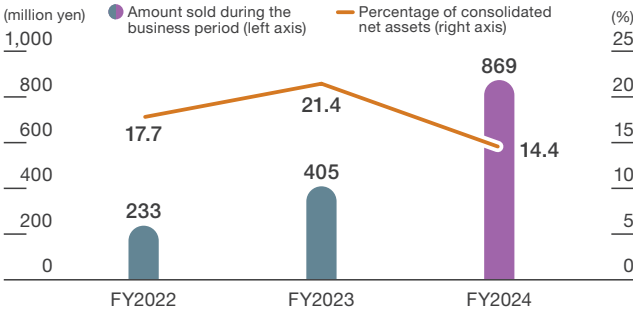
(In Japanese only)



Cross-shareholdings

For individual cross-shareholdings, the Board of Directors conducts detailed examinations to verify the appropriateness of the purpose of each holding and whether the income generated from the holding is commensurate with the cost of capital. As a result of verification, for cross-shareholdings where the significance or justification for holding them is deemed weak, our policy is to strive to carefully explain the situation to the counterparty and work towards reducing holdings. Based on this policy, we have decided to proceed with the sale of cross-shareholdings in a systematic manner, taking into account the viewpoint of improving capital efficiency and securing growth investment funds. We plan to sell 4.0 billion yen in cross-shareholdings during the period of the fifth medium-term management plan (by March 31, 2028), and reduce the ratio of cross-shareholdings to consolidated net assets from the current level of around 20% to around 10%.

Ratio of cross-shareholdings to consolidated net assets




Dialogue with shareholders and investors

The Company works to engage in dialogues with shareholders and investors with the aim of learning about their views and utilizing them in the management of the Company. At present, dialogues focus on communicating improvements in the Company's profitability over the past few years. Going forward, we intend to enhance dialogues to include the story of our medium- to long-term growth and capital policies, which are of particular interest to shareholders and investors.

Details of Dialogue with shareholders and investors

<https://www.shofu.co.jp/ir/contents/hp1870/index.php?No=2452&CNo=1870>  
(In Japanese only)



Compensation of officers

The total amount of compensation of Directors and Auditors is determined within the amount resolved at the shareholders meeting. The amount of each Director's compensation is determined by the Representative Director, Chairman (or the President, if the office of the Chairman is vacant) who is authorized by the Board of Directors after consultation with the Nomination and Compensation Council consisting of Representative Directors and Independent Outside Directors. The amount of each Auditor's compensation is determined by deliberation among the Auditors.

Structure and overview of main meeting bodies

Officer category	Details
	<p><b>&lt;Basic policy&gt;</b></p> <p>The compensation system shall sufficiently function as incentives for sustainable improvement of corporate value and be linked to shareholders' interests. The amount of each Director's compensation shall be at an appropriate level based on capabilities and responsibilities required of the Company's officers, their duties to improve future corporate value, and other matters.</p>
	<p><b>① Basic compensation</b></p> <p>Shall be monthly fixed compensation and determined depending on the position and responsibility, with comprehensive consideration for the levels of other companies according to surveys by external research firms, the Company's business performance, and the level of employees' salaries, and finalized after consulting the Nomination and Compensation Council.</p>
	<p><b>② Performance-based compensation, etc.</b></p> <p>In order to increase the motivation of directors to improve the Group's performance and corporate value in each fiscal year, in addition to cash remuneration reflecting key performance indicators (KPIs) calculated based on the degree of achievement of target values for consolidated sales, consolidated operating income, and consolidated net income for each fiscal year, annual bonuses are paid to directors who concurrently serve as executive officers with positions other than the president and executive officer at a certain time of year, to an amount taking into account individual performance evaluations. The target KPIs and their values are set at the time of formulation of the medium-term management plan to ensure conformity with the plan, and are revised in light of recommendations provided by the Nomination and Compensation Council based on environmental changes as appropriate.</p>
	<p><b>③ Non-monetary compensation, etc.</b></p> <p>To provide Directors with incentives for sustainable improvement of the Company's corporate value and for the further sharing of value with shareholders through compensation linked with shareholders' interests, the Company's common shares that are subject to a certain period during which the transfer is restricted are allotted at a certain time each year. As a basic policy, the amount of restricted share-based compensation is determined based on capabilities and responsibilities required of the Company's officers, their duties to improve future corporate value, and other matters. The number of allotted shares are determined by position within the amount resolved at the shareholder's meeting.</p>
Directors (excluding Outside Directors)	<p><b>Fixed compensation</b></p> <p>Only fixed compensation shall be paid considering their responsibilities of supervising management and providing advice from a standpoint independent of business execution.</p>
Auditors	<p><b>Fixed compensation</b></p> <p>From the perspective of valuing independence from and objectivity on management, compensation shall consist only of fixed compensation. The level of compensation is set referring to the levels of other companies learned from the surveys of external specialist institutions, and the amount is determined according to their roles.</p>

\*The total amount of compensation including bonuses of Directors was resolved to be up to 370 million yen per annum (of which up to 50 million yen per annum for Outside Directors) at the 153rd Shareholders' Meeting held on June 25, 2025. The total amount of compensation for Auditors were resolved to be up to 70 million yen per annum at the 153rd Shareholders' Meeting held on June 25, 2025.  
\*Separate from the aforementioned total amount of compensation for Directors, it was resolved at the 153rd Shareholders' Meeting held on June 25, 2025, that restricted share-based compensation shall be allotted in the amount up to 70 million yen per annum to the Company's Directors.

Status for FY2025/3

Officer category	Total amount of compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of eligible officers
		Monetary compensation		Non-monetary compensation	
		Fixed compensation	Performance based compensation	Restricted share-based compensation	
Directors (excluding Outside Directors)	262	160	66	36	6
Auditors (excluding Outside Auditors)	36	36	-	-	3
Outside officers	40	40	-	-	7

\*The amount of restricted share-based compensation is the amount of expenses posted for the fiscal year under review.

Risk Management

In addition to efforts to avoid and minimize risks in each business, the Group has been conducting drills anticipating disasters such as earthquakes and fires, and continuously improving its business systems through internal audits by the Internal Audit Department. In March 2025, we formulated the Basic Risk Management Policy as a policy to appropriately manage risks for the Shofu Group. Based on this basic policy, we will proceed to identify

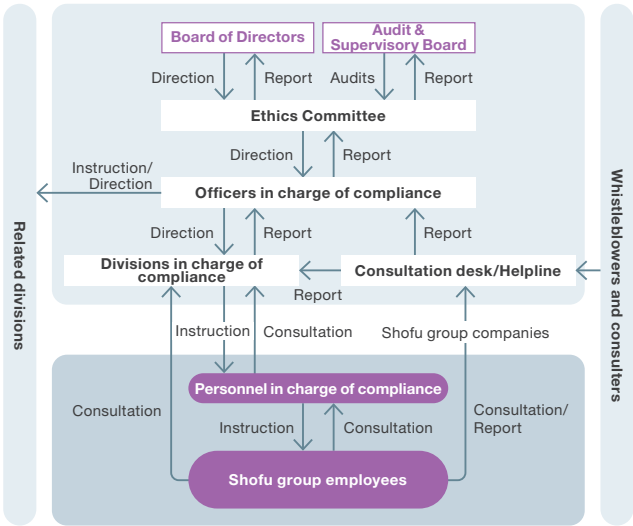
and track risk factors, identify important risks, determine countermeasures against them, etc., and take necessary measures to avoid and minimize risks. We will also engage in group-wide risk management in cooperation with group-wide committees such as the Sustainability Committee, Quality Control Committee, Information Security Committee, and Fire and Disaster Prevention Management Committee.

Compliance

For all of the Group's business activities, we engage in compliance-oriented management on the basis of ensuring corporate ethics and complying with laws and regulations. We have established an Ethics Committee, chaired by the President & COO, to deliberate and determine measures to ensure compliance, and established an internal reporting (whistleblowing) system to prevent legal violations and misconduct, so that we can increase the effectiveness of compliance within the Group. We also seek to ensure thorough awareness of the Shofu Group Code of Conduct, which sets standards for Shofu Group employees to behave in accordance with common ethical values, and work to improve compliance awareness through compliance education.

Details of Compliance

<https://www.shofu.co.jp/contents/hp2003/index.php?No=2013&CNo=2003>  
(In Japanese only)




Respect for human rights

For the Shofu Group to realize its corporate philosophy, we believe that it is essential to respect the human rights of all people affected by our corporate activities. To fulfill our corporate responsibility to respect human rights, we have formulated the Shofu Group Human Rights Policy, which summarizes our approach and action guidelines for ensuring respect for human rights. We support and respect the United Nations Guiding Principles on Business and Human Rights and other international norms relating to human rights, implement human rights due diligence, which is a mechanism for identifying,

preventing, correcting, and remedying human rights risks, and conduct human rights training and harassment training, in accordance with the Shofu Group Human Rights Policy.

Details of Respect for Human Rights

<https://www.shofu.co.jp/contents/hp2019/index.php?CNo=2019&No=2090>  
(In Japanese only)





# Governance

## Officers (as of June 25, 2025)

### Director



**Representative Director,  
Chairman & CEO**

**Noriyuki Negoro**

(Born March 9, 1956)

Number of shares held:  
193,696 shares

Attendance

Board of Directors meetings:  
17/17 (100%)



**Representative Director,  
Senior Managing  
Executive Officer**

**Takahiro Umeda**

(Born February 13, 1960)

Number of shares held:  
52,236 shares

Attendance

Board of Directors meetings:  
16/17 (94%)



**Director, Managing  
Executive Officer**

**Shuji Sonoi**

(Born March 31, 1971)

Number of shares held:  
15,539 shares

Attendance

Board of Directors meetings:  
12/12 (100%)



**Outside Director**

**Daizo Nishimura**

(Born May 5, 1959)

Number of shares held:  
4,987 shares

Attendance

Board of Directors meetings:  
17/17 (100%)



**Outside Director**

**Kaori Matsue**

(Born August 25, 1966)

Number of shares held: 0 shares

Attendance



**Representative Director,  
PRESIDENT & COO**

**Tetsuo Takami**

(Born on June 22, 1960)

Number of shares held:  
77,742 shares

Attendance

Board of Directors meetings:  
17/17 (100%)



**Director, Senior Managing  
Executive Officer**

**Fumitaka Yamazaki**

(Born May 27, 1961)

Number of shares held:  
78,937 shares

Attendance

Board of Directors meetings:  
17/17 (100%)



**Outside Director**

**Kiichi Suzuki**

(Born May 23, 1949)

Number of shares held:  
33,312 shares

Attendance

Board of Directors meetings:  
17/17 (100%)



**Outside Director**

**Junko Yaguchi**

(Born April 19, 1963)

Number of shares held: 0 shares

Attendance

### Company Auditor



**Auditor**

**Shigeyuki Komatsu**

(Born May 31, 1958)

Number of shares held:  
21,595 shares

Attendance

Board of Directors meetings:  
17/17 (100%)

Audit & Supervisory Board  
meetings: 16/16 (100%)



**Auditor**

**Hiroyuki Hatayama**

(Born January 2, 1962)

Number of shares held:  
5,500 shares

Attendance

Board of Directors meetings:  
12/12 (100%)

Audit & Supervisory Board  
meetings: 12/12 (100%)



**Outside Auditor**

**Yoko Yamada**

(Born March 5, 1957)

Number of shares held:  
2,179 shares

Attendance

Board of Directors meetings:  
17/17 (100%)

Audit & Supervisory Board  
meetings: 16/16 (100%)



**Outside Auditor**

**Hiromi Mukai**

(Born October 11, 1975)

Number of shares held:  
1,004 shares

Attendance

Board of Directors meetings:  
12/12 (100%)

Audit & Supervisory Board  
meetings: 12/12 (100%)

\*The number of shares held by directors and auditors is as of April 30, 2025.

### Executive Officers

Executive Vice President  
**Kazuhiko Murakami**

Managing Executive Officer  
**Shinya Teramoto**

Managing Executive Officer  
**Ryuichi Yoshimoto**

Senior Executive Officer  
**Toshiyuki Nakatsuka**

Executive Officer  
**Takashi Wakayama**

Executive Officer  
**Junichi Sugawara**

Executive Officer  
**Hiroyoshi Miyake**

Executive Officer  
**Michinori Matsunaga**

Executive Officer  
**Shigefumi Iwasaki**

Executive Officer  
**Hisaaki Tachidokoro**

Executive Officer  
**Yoshikazu Yamada**

### Director Skills Matrix

	Name	Knowledge and experience particularly expected for each director						
		Corporate Management	Production, Technology, and R&D	Sales and Marketing	Global	Finance, Accounting, and Human Resources	Governance, Compliance, and Risk Management	Qualifications, etc.
Directors	Noriyuki Negoro	●	●	●			●	
	Tetsuo Takami	●		●			●	
	Takahiro Umeda	●				●	●	
	Fumitaka Yamazaki	●	●			●		
	Shuji Sonoi	●	●		●			
Outside Directors	Kiichi Suzuki	●	●		●		●	● Experienced manager of a listed company
	Daizo Nishimura					●	●	● Certified public accountant ● Tax accountant
	Junko Yaguchi	●				●	●	● Experienced manager of a listed company
	Kaori Matsue	●	●				●	

\*The above table does not show all of the skills held by each director. \*Activities as a director are not limited to the items marked.



## Dialogue Between the Chairman and an Outside Director

### Increasing diversity and achieving highly effective governance that contributes to improving corporate value

— First, please introduce your career backgrounds and current roles.

**Negoro** After joining Shofu in 1981, I worked for many years in the R&D Department on product development. In 2003, I was appointed as a Director and General Manager of the Research & Development Department. In 2009, I was appointed as Representative Director and President, and then became Representative Director, Chairman & CEO in 2022. Currently, as Chairman, I oversee overall management. As Chairman of the Board of Directors, I also take a bird's-eye view of the entire company and work to strengthen governance functions that will lead to sustainable growth.

In particular, I believe that creating an environment where management can make decisions from a high-level perspective, and developing the next generation of leaders are a part of my key roles. To achieve this, I would like to create an environment where diverse perspectives—including those of outside directors—are actively exchanged, and promote sound dialogue and the creation of systems that contribute to enhancing corporate value.

**Yaguchi** After graduating from university in 1986, I spent the first half of my career in research and corporate finance at a securities company. In the second half of my career, I was involved in business execution and management at an operating company. Based on my experience in both capital markets and corporate management, as an outside director, I would like to work alongside internal management to enhance corporate transparency and accountability and contribute to further improving credibility with stakeholders.

— Director Yaguchi, from your point of view, what were your first impressions and thoughts on the appeal of Shofu?

**Yaguchi** The first thing I felt about the Company was the strength of its core. The fact that Shofu holds numerous patent rights and is steadily building an academic network in Japan and abroad shows that it is serious about technology. I believe that this attitude is the source of Shofu's strength in product development and business development capabilities as a comprehensive dental care manufacturer, and leads to a depth and sustainability that other companies do not have. Shofu also has an environment that enables honest exchange of opinions and a comfortable sense of tension that coexist within the organization, and I felt that this balance is what shapes the "inner strength" of Shofu as a company.

— If you have a perspective or stance that is important to you as a director, please share it with us.

**Negoro** The mission of our management team is to practice our corporate philosophy of "Contribution to dentistry through innovative business activities." Currently, as a waypoint toward achieving this corporate philosophy, we are working together as a company toward the major goal of our 50-billion-yen vision. As Chairman of the Board of Directors, I believe it is important for management to make decisions from a higher perspective and engage in dialogue and support to enable sustainable growth while appropriately grasping the risks associated with challenges. Now that we are taking on the challenges of big goals, I would like us to fulfill the roles of the Board of Directors through multifaceted perspectives and sound checking functions.

**Yaguchi** As Chairman Negoro says, precisely because we are now taking on the challenges of big goals, it is essential to have multifaceted perspectives and sound checking functions. In particular, I emphasize the perspectives of overall optimization and medium- to long-term corporate value. For a company to achieve sustainable growth, it is necessary to have both the strength to take on challenges and the calmness to identify them. I believe that my key roles as an outside director are to deal with both things that we must change and things that we will not change, and to ask questions that take us back to the essence of management.

— Director Yaguchi, from your perspective, having observed various companies so far, what do you think about Shofu's growth potential?

**Yaguchi** In addition to technology-based product development, Shofu's strengths lie in its integrated structure, from R&D to manufacturing, sales, and support, and in the fact that it has established a virtuous cycle of returning customer feedback to development through an academic network. In the overseas markets we are focusing on, dental needs and regulatory controls vary between countries and regions, and there are difficulties in responding to them. For this reason, I believe that Shofu's careful market responsiveness and advanced technologies will continue to come in handy in the future. The 50-billion-yen vision is also a strategy drawn on this structural foundation, and I would like to contribute to it.

**Negoro** Director Yaguchi has a completely different career background from mine. I started in research and development, and I feel that opinions from multifaceted perspectives will bring new viewpoints and questions to the Board of Directors.

To realize our philosophy of contributing to global dental care and ensure our continued growth in the future, we must not only deepen the level of our existing businesses but also actively engage in M&A, new investments, and other initiatives. During this critical time, I believe that incorporating the diverse knowledge and independent perspectives

Representative Director Chairman & CEO

## Noriyuki Negoro

Joined Shofu in 1981. After working in R&D for many years, Mr. Negoro served as a Director and General Manager of Research & Development, Director and Managing Executive Officer, and was appointed as Representative Director and President in 2009. He has served as Representative Director, Chairman & CEO since 2022. He currently serves as Chairman of the Board of Directors.

of Director Yaguchi and our other outside directors into management decisions will be a key factor in improving corporate value.

— What is the most important emphasis for the Board of Directors?

**Negoro** What I place the most emphasis on at the Board of Directors is to improve the quality of decision-making through dialogue from diverse perspectives. In particular, for medium- to long-term strategies such as our 50-billion-yen vision, we place great importance on a process in which directors actively contribute their opinions and engage in constructive discussions to arrive at the best possible outcome, rather than simply approving proposals. I feel that as we exchange different perspectives and knowledge, the level of our thinking deepens, leading to more effective decision-making.

**Yaguchi** I believe that the role of the Board of Directors is to verify the validity of management decisions from multiple perspectives and support decision-making that contributes to the improvement of corporate value. In the process, I would like to contribute to constructive discussions by re-examining assumptions and backgrounds, and sometimes presenting different perspectives, while maintaining awareness of the asymmetry of information and perspectives that may exist between ourselves and management. I believe that the accumulation of these measures will contribute to increasing corporate transparency and accountability, and strengthening relationships of trust with the capital market.

— How do you view the results of the FY2024 Board of Directors effectiveness evaluation?

**Negoro** Through the effectiveness evaluation in FY2024, we realized that there is still room for evolution in terms of the depth of the Board's discussions on medium- to long-term strategy and succession plans, as well as the diversity of perspectives among its members. Against the backdrop of this awareness of issues, the next generation of employees and management team members are currently working together to formulate the company's long-term growth vision, which we plan to communicate to everyone as soon as it is ready. I would also like to enhance the effectiveness of the Board of Directors itself as a forum where we can have deeper, more candid discussions on key management themes while actively incorporating diverse perspectives.

**Yaguchi** As mentioned in the effectiveness evaluation, I feel that fostering a board of directors that engages in deeper, more candid discussions is essential for the Company's medium- to long-term growth. In particular, since Shofu has many medium- to long-term initiatives, such as product development and global expansion, I believe it is essential to carefully communicate its vision and strategic path both internally and externally, and obtain long-term support. In this sense, it is important to refine the language we use and make efforts to communicate it in disclosure. An effective Board of Directors must have correct information, transparency, and a place for frank exchanges of opinions. At Shofu, I feel that the environment makes for easy decision-making, because information refined by the Managing Executive Board is summarized for the Board of Directors. On top of that, as an outside director with important voting rights, I would like to go beyond superficial explanations, always ask questions, return to the company's vision, and engage in discussions that address the essence of the matter at hand.

Outside Director

## Junko Yaguchi

After working at foreign financial institutions such as Citigroup Global Markets Japan Inc. and BofA Securities Japan Co., Ltd., Ms. Yaguchi held positions in corporate planning and management at DWANGO Co., Ltd. and various MINKABU group companies. She currently serves as a director of MINKABU THE INFONOID, Inc., etc. and was appointed as an outside director of SHOFU INC. in 2025.

— Director Yaguchi, you are Shofu's first female outside director. Have you ever experienced being able to make use of a variety of perspectives in your career?

**Yaguchi** I don't usually think much about being a female outside director, but I definitely feel a sense of responsibility and expectations through reactions both inside and outside the company. In my career, I have had many experiences where I was able to make better decisions by being made aware of perspectives that I did not have. By incorporating diverse perspectives and sensibilities into discussions by the Board of Directors and management, I hope to make some use of my own experiences, leading to better decision-making and driving the evolution of the organization itself.

**Negoro** Director Yaguchi's experience—especially her perspective that covers both capital markets and business management—is invaluable to Shofu, and we hope that she will play a significant role in improving the quality of our IR activities and information disclosure, in particular. The dental industry has many female professionals, including dentists, dental technicians, and dental hygienists, and I feel that the appointment of Director Yaguchi is a symbolic event in incorporating such diverse perspectives and values into our management. In fact, looking overseas, women already hold positions of responsibility, such as General Manager at Group subsidiaries in China (a position equivalent to company president in Japan). I believe that creating an environment where capable human resources can play active roles regardless of gender or nationality is something we should learn from ourselves. Through this dialogue, I am pleased to be able to show a first step towards such change both internally and externally.

— Finally, please give a message to our stakeholders.

**Negoro** Shofu has continued to grow for over 100 years based on its corporate philosophy of "Contribution to dentistry through innovative business activities." Looking ahead, we will remain a company that continues to contribute to society and the healthcare field while creating better products and services and accumulating sincere efforts. We will continue to take on challenges so that each and every employee can work with pride and continue to be able to live up to the trust of stakeholders. We sincerely ask for your continued support in the future.

**Yaguchi** I believe my role is to communicate Shofu's proven technologies and sincere attitude to more people; and not merely to convey it, but to ensure that it truly resonates. Drawing on my experience in capital markets, I will strive to improve the transparency and sense of satisfaction of management by engaging in dialogue with an awareness of accountability from an external perspective. As Shofu's first female director, I would also like to incorporate diverse perspectives into the Company's management, and contribute to its challenge to change. I will continue to steadily support efforts to improve Shofu's corporate value, and I hope for your continued warm support.



# Environment

As a company that contributes to people's health, Shofu seeks to harmonize with the global environment and fulfill its social responsibilities toward the environment. For this purpose, based on our Basic Policy on Sustainability, we conduct environmental conservation activities in all our business activities, from development to production and sales.

## Environmental management system

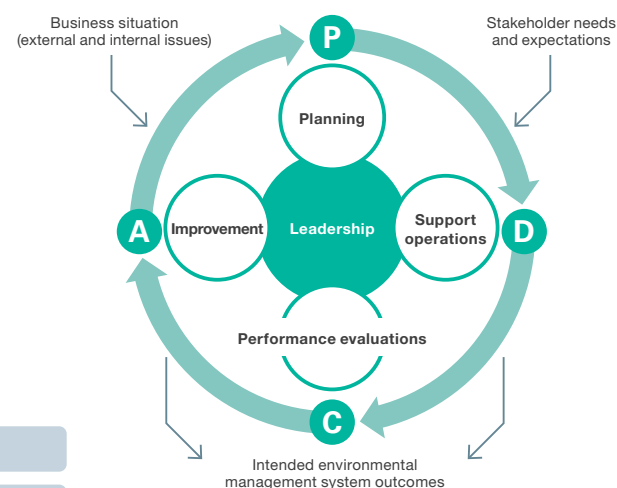
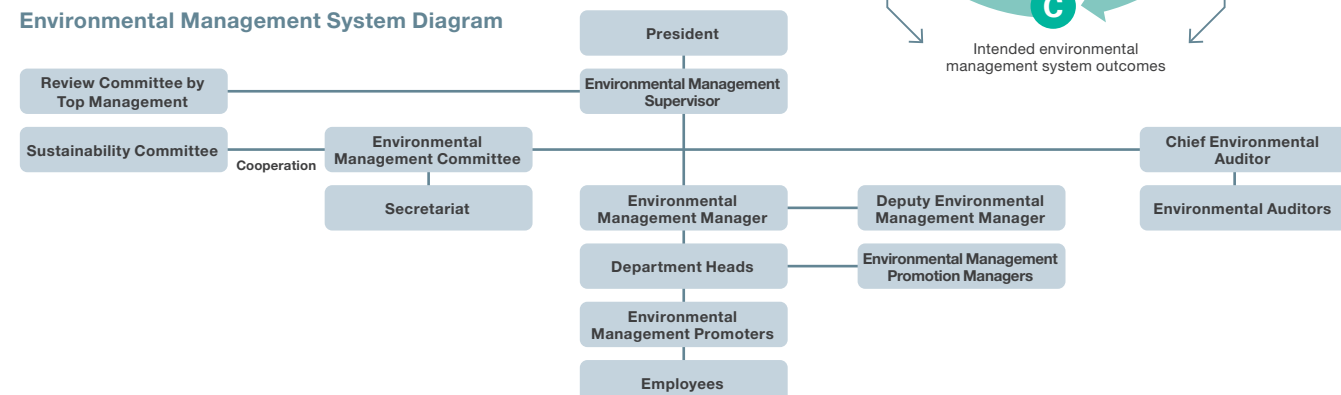
Shofu seeks to harmonize with the global environment and fulfill its social responsibilities toward the environment, based on its Basic Policy on Sustainability. For this purpose, headed by the President & COO, and with the Officer in charge of general affairs serving as the Environmental Management Supervisor, the Environmental Management Committee deliberates and decides on environmental targets and implementation plans, and manages the promotion of environmental management.

### Details of Environmental Management System

<https://www.shofu.co.jp/contents/hp2007/index.php?No=2018&CNo=2007>  
(In Japanese only)



### Environmental Management System Diagram



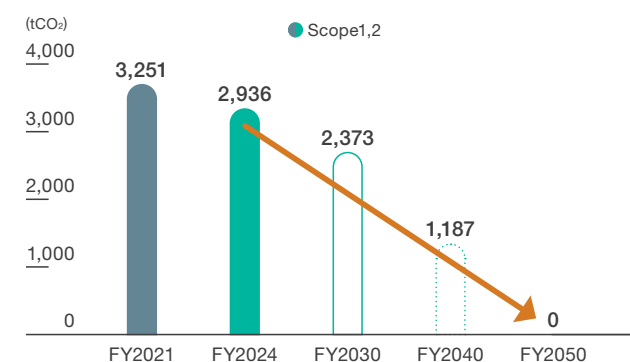
## Initiatives to reduce CO<sub>2</sub> emissions

Shofu is working to reduce CO<sub>2</sub> emissions to help combat global warming, aiming to achieve carbon neutrality by 2050 and a 27% reduction in greenhouse gas emissions by 2030 (compared to FY2021 levels).

In manufacturing processes that consume large amounts of energy, we are implementing initiatives to improve energy efficiency by replacing facilities with those that contribute to energy conservation, and engaging in efficient operations. In terms of the office sector, we are working to optimize lighting fixtures and adjust the temperature settings for air conditioning. In addition, we are currently in the process of switching to LED lighting fixtures in factories and offices as a company-wide effort to reduce CO<sub>2</sub> emissions.

In FY2024, we calculated Scope 3 CO<sub>2</sub> emissions within Japan for FY2023. Starting in December 2024, we switched the supply of power for Shofu's head office and Osaka sales office to renewable energy-derived sources.

### Scope 1 and Scope 2 Emissions (Domestic) and Reduction Targets

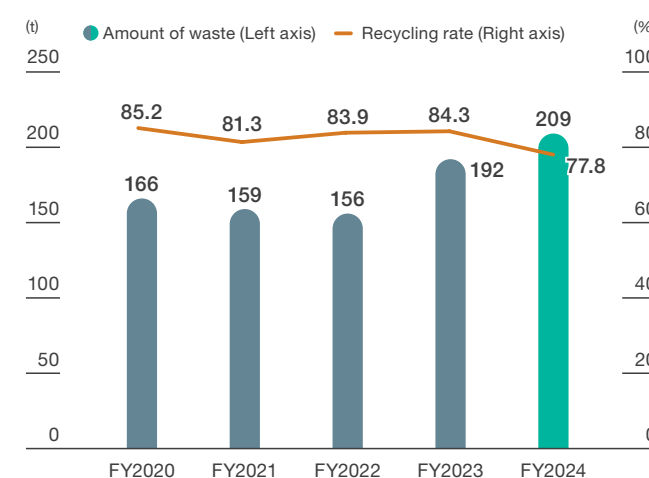


## Waste reduction and appropriate disposal

Shofu is committed to reducing and reusing waste generated by its business activities to reduce the consumption of resources and the generation of waste, thereby reducing the burden on the global environment.

When consigning industrial waste disposal, we carefully check the permission status of contractors and promote recycling of waste through consignment contracts with appropriate disposal companies.

### Trends in waste generation and recycling rate



## Development of environmentally friendly products

Shofu is working to develop environmentally friendly products by reducing waste from product use and CO<sub>2</sub> emissions from manufacturing processes, to harmonize with the global environment.

As an example of product development with consideration for the environment, we are working to reduce the weight and volume of goods transported and minimize the amount of waste generated at dental clinics and dental laboratories, through initiatives such as developing environmentally friendly packaging containers, switching packaging materials from plastic to paper, adopting foldable and disposable containers, and simplifying packaging materials.

In FY2024, we developed a new packaging solution for SHOFU Disc HC without cushioning material. By changing the shape of the packaging box, we eliminated the need for the urethane cushioning material that was used previously.

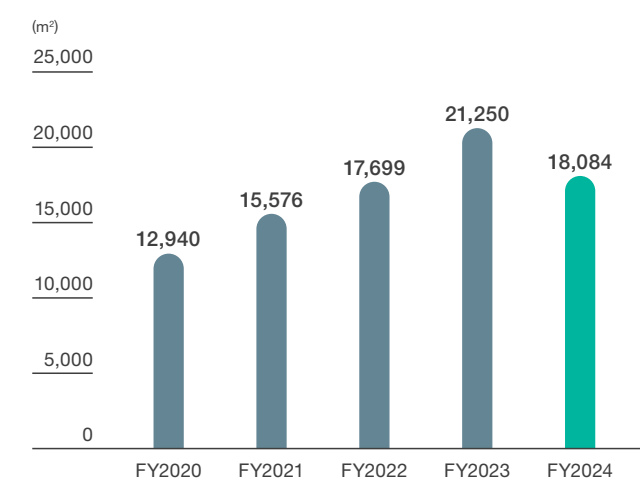


Changes to the shape of the packaging box for SHOFU Disc HC (Left: before change, Right: after change)

## Proper management of water

Shofu is working to reduce water consumption by saving water, and to ensure the quality of wastewater through proper management. We have established an in-house dedicated storage facility for waste liquids containing substances that significantly impact the environment. These are then outsourced to waste management companies for proper disposal. In addition, to properly manage the quality of industrial wastewater, we have established and are operating voluntary standards that exceed regulatory standards stipulated by laws and ordinances.

### Trends in water consumption



Information Disclosures Based on the TCFD Recommendations

The Shofu Group has established a corporate philosophy of “Contribution to dentistry through innovative business activities” under which we are determined to work to solve social issues through corporate activities in cooperation with stakeholders, aiming to improve corporate value over the medium- to long-term and create a sustainable society. We have established the following policy as an outline of our basic approach to achieving this.

- 1 Contribute to a higher QOL for people
- 2 Promote corporate activities that are friendly to the global environment
- 3 Strengthen our management base to support corporate value enhancement
- 4 Cultivate a rewarding organizational culture and develop human resources

In response to climate change, one of our corporate activities that are friendly to the global environment, we are making efforts and disclosing information in line with the TCFD recommendations.

Governance

The Sustainability Committee deliberates on the formulation of basic sustainability policies, strategies, and plans, and sets targets, based on sustainability-related risks and opportunities. It also monitors the status of initiatives, and reports and makes recommendations to the Board of Directors at least once a year, based on which the Board deliberates and gives supervision.

Strategies

Scenario analysis

The Group has conducted scenario analyses for 2030 and 2050, assuming a world view in which global temperatures rise by 1.5°C, 2°C, and 4°C in the year 2100.

Risks and opportunities

We have identified five risks and five opportunities that are expected to have an impact on the Company.

Type		Factors behind risks and opportunities	Details	Financial impact in 2030	
				1.5°C (2°C)	4°C*2
Transition risks	Policies and regulations	Progress in pricing GHG*1 emissions	Energy, procurement, and transportation (logistics) costs will increase due to introduction of carbon tax.	Medium	-
		Strengthened GHG emissions reporting requirements			
		Shift to mandatory status / regulation of existing products and services			
			Procurement risks and costs will increase due to tightening of environmental laws and regulations.	Small	-
		If plastic regulations are tightened and the shift to plastic alternatives in our products does not progress, then we will be shut out of markets, primarily in Europe.	Medium	-	
	Technology	Upfront costs associated with transition to low-carbon technologies	Increased development and capital investment costs to invest in materials and technologies with lower environmental impact	Small	-
Physical risks	Acute	Increase in the severity and frequency of abnormal weather events such as cyclones and floods Increased likelihood and severity of wildfires	Large-scale natural disasters (typhoons, torrential rains, floods, wildfires, etc.) will cause the Company's operations to stagnate, making it difficult to provide a stable supply of products and leading to a decline in sales.	Medium	Medium
Opportunities	Resource efficiency	Use of efficient means of transportation Use of efficient production and distribution processes	Production, transportation and storage costs can be reduced by using efficient production and distribution processes.	Small	Small
			Energy costs can be reduced by saving energy.	Small	Small
			Use of recycling	Raw material costs can be reduced by reducing the amount of raw materials required, by recycling product components and packaging materials.	Small
	Products and services	Development of low-carbon products and services, development of new products and services through expanded R&D and innovation	The development of products that contribute to improving the efficiency of dental care and reducing CO2 emissions will increase sales of our related products.	Medium	-
	Resilience	Participation in renewable energy programs and adoption of energy-saving measures	Relocating production bases and promoting the distribution of energy procurement sources, including renewable energy, is expected to improve resilience in the event of a disaster or grid power accident (business continuity and suppression of rising energy procurement costs).	Small	-

\*1 GHG: An abbreviation for greenhouse gases.  
\*2 The 4°C scenario assumes a world where there are no GHG emissions regulations or environmental regulations, so some risks and opportunities are not calculated or evaluated.

Risk management

The Group’s Sustainability Committee discusses the identification of sustainability-related risks and opportunities, and the narrowing down of risks and opportunities that should be prioritized, and reports to the Board of Directors. Climate change-related risks and opportunities are managed through the following activities ①–⑤, and reviewed periodically.

- 1 Scenario analysis for climate change
- 2 Identification of short-term, medium-term and long-term climate-related risks and opportunities
- 3 Determination of strategic initiatives and policies to address the important climate-related risks and opportunities that have been identified
- 4 Consideration of actual measures to address climate-related risks and opportunities
- 5 Implementation of measures to address climate-related risk and opportunities and management of progress

Based on the results of monitoring, we have established a system that enables us to respond flexibly and optimally, according to the degree of impact on business management. Important risks relating to climate change are reported to the Managing Executive Board for coordination with company-wide risks.

Metrics and targets

To reduce greenhouse gas emissions, the Group has set the following reduction targets for Scope 1 and 2, using FY2021 Scope 1 and 2 values as the baseline values.

- Reduce Scope 1 and 2 emissions by 27% by FY2030 (compared with FY2021)
- Achieve carbon neutrality by FY2050

CO <sub>2</sub> emissions (Scope 1 and 2)			
	(Unit: tCO <sub>2</sub> )		
	FY2021	FY2023	FY2024
Domestic	3,251	3,498	2,936
Overseas	2,032	2,293	2,435
Total	5,283	5,791	5,372
Percentage change from FY2021 (%)	-	9.6	1.6
Net sales intensity index (compared with FY2021) (%)	100	87.6	66.9

In FY2024, the Group’s total energy consumption for Scope 1 and Scope 2 remained around the same as in the previous fiscal year. However, CO<sub>2</sub> emissions increased by only 1.6% compared to FY2021, due to the switch to renewable energy-derived electric power at the Kyoto head office and Osaka sales office starting in December 2024. We will continue working to reduce CO<sub>2</sub> emissions. Net sales intensity index (compared to FY2021) is in a downward trend.

Measures	Details
Using energy to adapt to a decarbonized society	● Implementing energy saving measures ● Using renewable energy ● Building an efficient production and distribution system
Balancing contributions to dental care with decarbonization initiatives	● Developing and selling environmentally friendly products ● Saving resources in packaging containers
Establishing a stable business base to respond to the growing severity of natural disasters	● Establishing BCP ● Strengthening cooperation with suppliers and logistics operators ● Relocating production bases
Appropriately responding to environmental regulations	● Monitoring trends in environmental regulations and considering response measures

Scope 3 emissions for the Shofu Group (the Company and domestic Group companies) for FY2023 were calculated based on the guidelines established by Japan’s Ministry of the Environment.

Category	Emissions (tCO <sub>2</sub> )	Scope 3 composition ratio (%)
Scope 3 total	46,030	100.0%
Category 1: Purchased goods and services	35,928	78.1%
Category 2: Capital goods	2,754	6.0%
Category 3: Fuel and energy-related activities not included in Scope 1 or Scope 2	590	1.3%
Category 4: Upstream transportation and distribution	4,203	9.1%
Category 11: Use of sold products	1,431	3.1%
Other categories total	1,123	2.4%

Scope 3 CO<sub>2</sub> emissions for the most recent fiscal year (FY2024) will be published on our website as soon as the calculation is completed (<https://www.shofu.co.jp/contents/hp2008/index.php?No=2019&CNo=2008>) (In Japanese only)



# Financial Summary for Past 11 Years

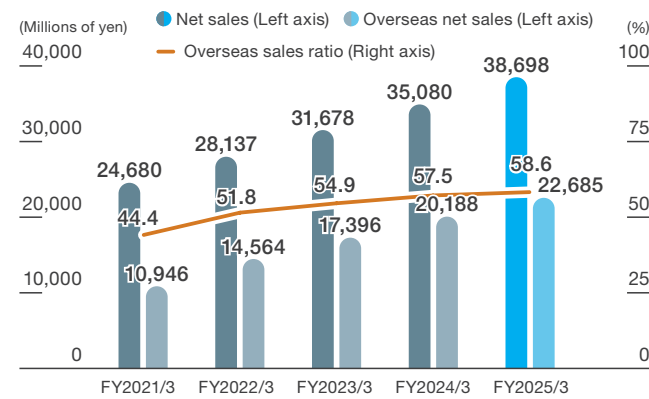
Fiscal year (Millions of yen)	143rd Fiscal Year (Ended March 31, 2015)	144th Fiscal Year (Ended March 31, 2016)	145th Fiscal Year (Ended March 31, 2017)	146th Fiscal Year (Ended March 31, 2018)	147th Fiscal Year (Ended March 31, 2019)	148th Fiscal Year (Ended March 31, 2020)	149th Fiscal Year (Ended March 31, 2021)	150th Fiscal Year (Ended March 31, 2022)	151st Fiscal Year (Ended March 31, 2023)	152nd Fiscal Year (Ended March 31, 2024)	153rd Fiscal Year (Ended March 31, 2025)
Net sales	19,688	22,975	22,305	24,031	24,915	26,108	24,680	28,137	31,678	35,080	38,698
Cost of sales	8,598	9,798	9,357	10,267	10,469	11,423	11,083	11,970	12,979	14,084	15,706
Selling, general and administrative expenses	9,929	11,608	11,564	12,266	12,631	12,474	11,296	12,950	14,874	16,286	17,599
Operating income	1,159	1,568	1,382	1,497	1,814	2,210	2,300	3,217	3,824	4,709	5,392
Ordinary income	1,114	1,393	1,141	1,565	1,709	1,988	2,523	3,658	4,238	5,118	5,523
Net income before income and other taxes	965	1,352	1,141	1,357	1,709	1,184	2,370	3,611	4,410	5,282	6,154
Income taxes	387	557	299	478	512	460	672	1,043	1,250	1,604	1,819
Profit attributable to owners of parent	581	789	836	877	1,201	704	1,674	2,546	3,135	3,655	4,317
Comprehensive income	2,169	-15	1,194	2,156	523	-46	3,618	3,366	3,584	7,157	2,471
Capital expenditure	1,650	713	875	710	1,403	1,601	1,097	1,100	2,319	1,282	1,445
Depreciation expense	783	1,007	888	920	862	949	955	901	972	1,168	1,059
R&D expenses	1,410	1,431	1,408	1,494	1,492	1,537	1,563	1,738	1,846	1,927	1,985
Fiscal year (Millions of yen)											
Current assets	15,625	14,265	14,286	15,345	14,975	15,416	17,829	20,462	22,220	25,179	27,521
Noncurrent assets	13,816	14,039	14,566	15,545	15,186	14,417	19,983	20,247	21,506	24,914	22,472
Current liabilities	5,510	3,049	3,215	3,663	3,820	3,680	4,212	4,437	5,949	5,593	5,218
Noncurrent liabilities	2,150	3,755	3,341	3,070	1,957	2,216	3,402	3,332	2,262	2,890	2,038
Net assets	21,781	21,500	22,296	24,157	24,383	23,936	30,198	32,940	35,515	41,609	42,736
Total assets	29,442	28,305	28,853	30,890	30,161	29,834	37,813	40,709	43,727	50,093	49,994
Other information											
ROE(%)	2.8	3.7	3.8	3.8	5.0	2.9	6.2	8.1	9.2	9.5	10.3
ROA(%)	2.2	2.7	2.9	2.9	3.9	2.3	4.9	6.5	7.4	7.8	8.6
Equity ratio (%)	73.7	75.7	76.9	77.8	80.4	79.7	79.4	80.5	80.8	82.7	85.2
Net assets per share (Yen)	680.09	670.00	698.37	755.93	762.46	745.90	845.27	920.77	998.32	1,168.02	1,198.37
Net income per share (Yen)	18.22	24.72	26.31	27.60	37.77	22.12	48.15	71.61	88.05	103.09	121.52
Payout ratio (%)	49.4	36.4	38.0	36.2	30.4	58.8	30.1	27.2	32.4	30.1	40.3
Dividends on equity (DOE) ratio (%)	1.4	1.3	1.5	1.4	1.5	1.7	1.8	2.2	3.0	2.9	4.1
Price earnings ratio (Times)	37.7	27.9	25.1	26.0	16.9	39.8	20.6	10.9	11.5	14.2	17.4
Cash flows from operating activities (Millions of yen)	710	1,511	2,308	1,936	1,468	1,942	2,829	3,736	3,170	3,089	3,447
Cash flows from investing activities (Millions of yen)	-3,139	748	-1,052	-772	-1,519	-1,768	-4,081	-1,288	-1,290	-1,295	-914
Cash flows from financing activities (Millions of yen)	2,810	-2,152	-835	-592	-844	-224	3,023	-1,074	-1,457	-2,096	-1,783
Number of employees (Persons)	881	1,080	1,103	1,124	1,168	1,189	1,206	1,266	1,299	1,369	1,413

\* The Company executed a 1:2 stock split of its common stock with September 30, 2024 as the date of record. Figures have been adjusted to reflect the 1:2 split.

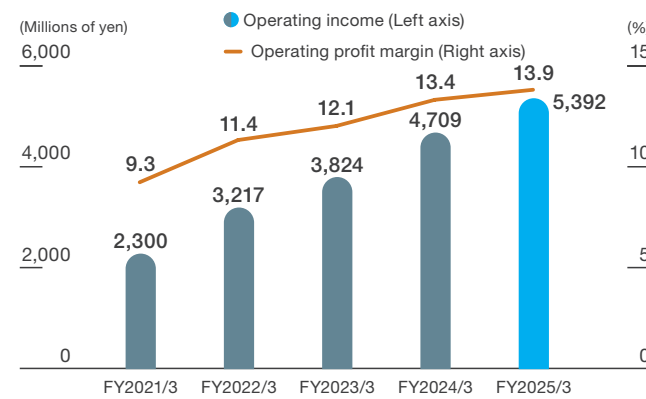
# KPI Highlights

## Financial Indicators

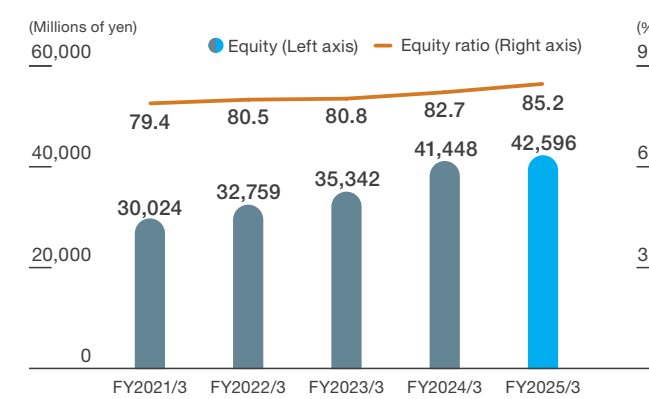
### Net sales/Overseas net sales/Overseas sales ratio



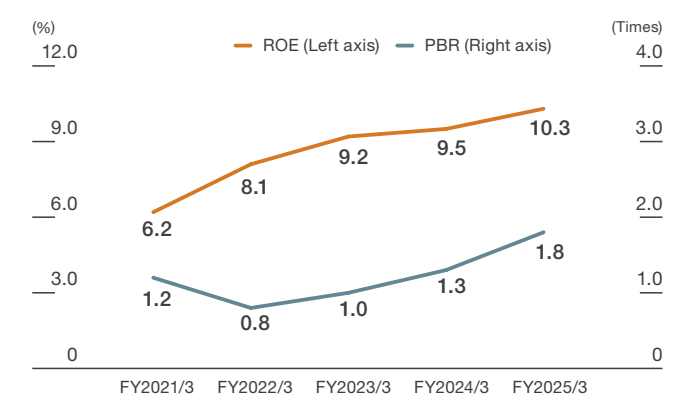
### Operating income/Operating profit margin



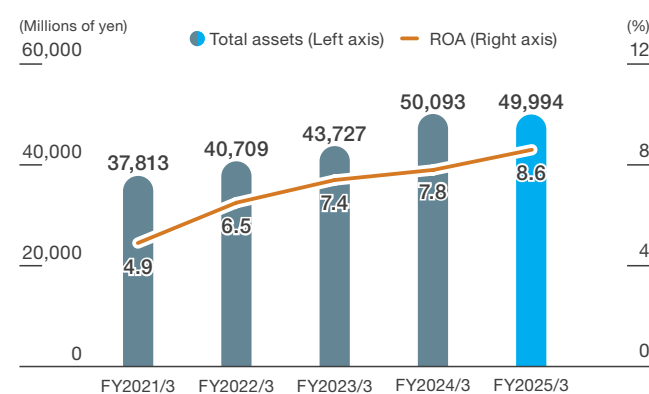
### Equity/Equity ratio



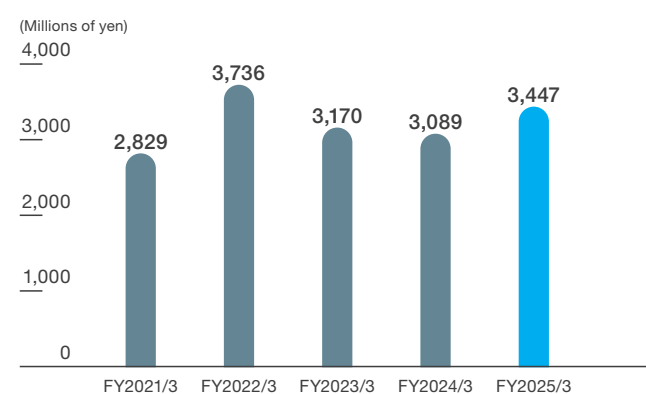
### Return on equity (ROE)/Price Book-value Ratio (PBR)



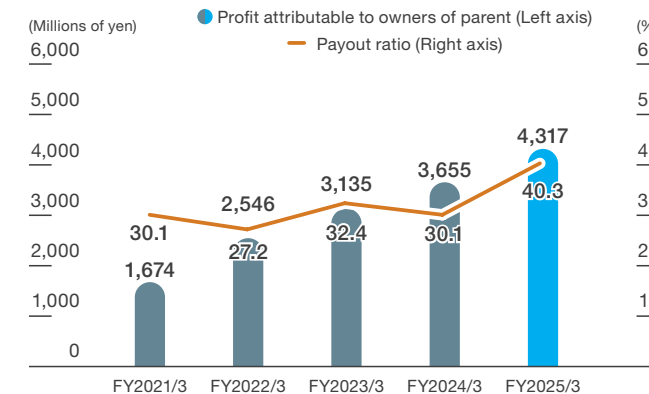
### Total assets/Return on assets (ROA)



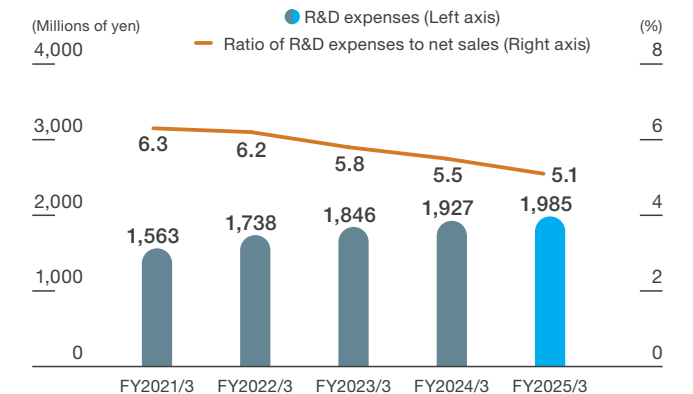
### Cash flows from operating activities



### Profit attributable to owners of parent/Payout ratio

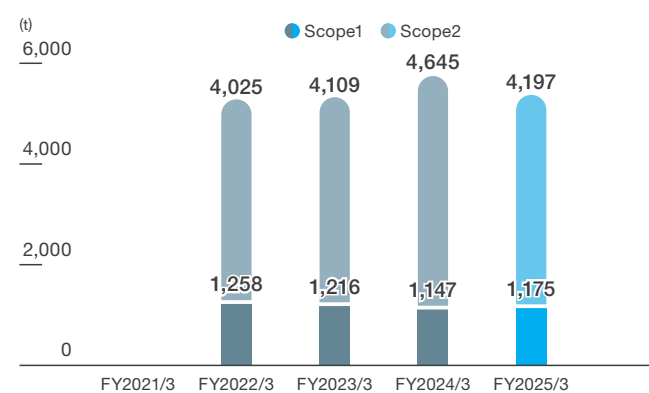


### R&D expenses/Ratio of R&D expenses to net sales

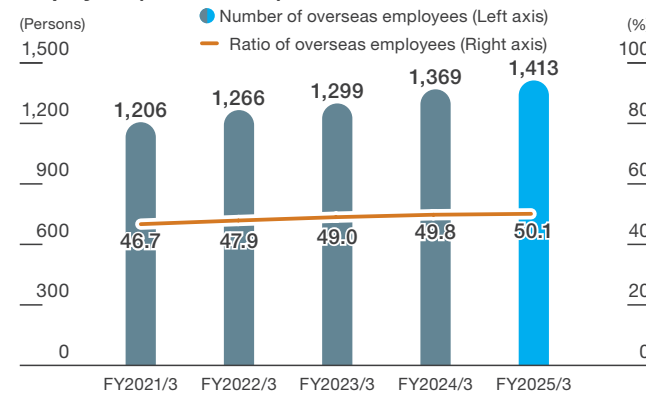


## Non-financial Indicators

### Greenhouse gas emissions (consolidated)



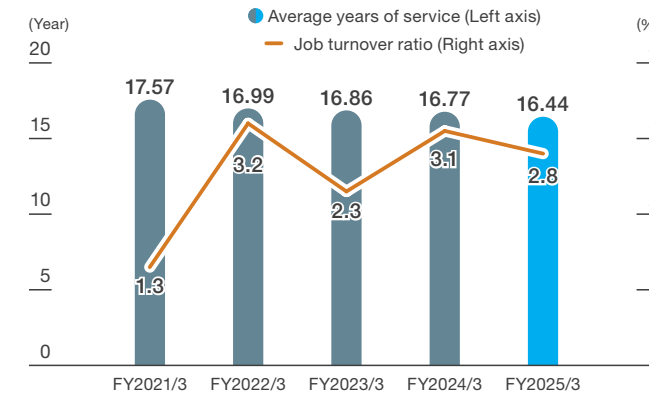
### Number of employees at end of fiscal year/ Ratio of overseas employees (consolidated)



To fulfill our social responsibilities toward the environment, we are working to reduce greenhouse gas emissions in our corporate activities. Greenhouse gas emissions for the fiscal year ended March 31, 2025 decreased by 7.3% year on year to 5,372 tCO<sub>2</sub>.

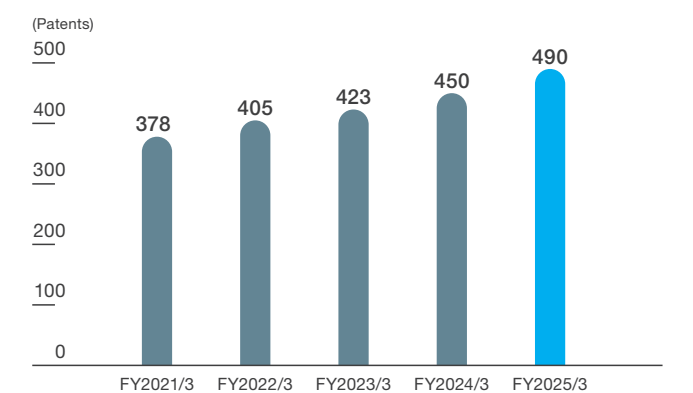
To increase our level of recognition and contribution to the global dental market, we are actively increasing the size of our workforce. At the end of the fiscal year ended March 31, 2025, the number of employees increased by 44 from the previous fiscal year to 1,413, of which 50.1% were overseas employees.

### Average years of service/Job turnover ratio



To promote continued investment in employees and the transfer of skills, we work to enhance psychological safety and build a rewarding work environment and organizational culture. In the fiscal year ended March 31, 2025, the average length of service was 16.44 years, and the turnover rate was 2.8%.

### Number of patents held



We regard intellectual properties as an important management resource, and will aim to link them to sustainable value creation by implementing intellectual property strategies linked to our business and R&D strategies. At the end of the fiscal year ended March 31, 2025, the number of patents held increased by 40 from the previous fiscal year to 490.



# Company Profile and Stock Information

As of March 31, 2025

## Company Profile

Company name	SHOFU INC.
Headquarters address	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan Phone: +81-75-561-1112 (main)
Date of establishment	May 15, 1922
Capital stock	5,968,956,614 yen
Closing date	March 31
Stock exchange listing	Prime Market of the Tokyo Stock Exchange (Securities Code: 7979)
Number of employees	1,413 (consolidated) 523 (non-consolidated)
Line of business	Manufacture and sale of dental materials and equipment
Fiscal year	From April 1 to March 31 of the following year
Ordinary shareholders' meeting	June of every year
Record dates	Ordinary shareholders' meeting: March 31 of every year Year-end dividend: March 31 of every year Interim dividend: September 30 of every year If otherwise necessary, the date designated by public notice in advance
Administrator of shareholder registry	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo

## Network

Domestic offices	TOKYO BRANCH / SAPPORO SALES OFFICE / SENDAI SALES OFFICE / NAGOYA SALES OFFICE / KYOTO SALES OFFICE / OSAKA SALES OFFICE / FUKUOKA SALES OFFICE
Overseas sites	TAIWAN BRANCH / Middle East and Africa Representative Office
Shofu group companies	<b>Domestic</b> SHIGA SHOFU INC. SHOFU PRODUCTS KYOTO INC. SHOFU BIOFIX INC. NAIL LABO CORPORATION <b>Overseas</b> SHOFU DENTAL CORPORATION SHOFU DENTAL GmbH ADVANCED HEALTHCARE LTD. SHANGHAI SHOFU DENTAL MATERIAL CO., LTD. SHOFU DENTAL TRADING (SHANGHAI) CO., LTD. SHOFU PRODUCTS CHANGZHOU CO., LTD. SHOFU DENTAL ASIA-PACIFIC PTE.LTD. MERZ DENTAL GmbH DIGITAL DENTAL SERVICES GmbH SHOFU DENTAL INDIA PRIVATE LIMITED SHOFU DENTAL BRASIL COMERCIO DE PRODUTOS ODONTOLOGICOS LTDA. SHOFU PRODUCTS VIETNAM CO., LTD. SHOFU MEXICO S DE RL DE CV SMART DENTISTRY SOLUTIONS INC. NAIL LABO INC. NAIL LABO TAIWAN CO.,LTD.
Affiliated company	<b>Domestic</b> SUN MEDICAL CO., LTD.

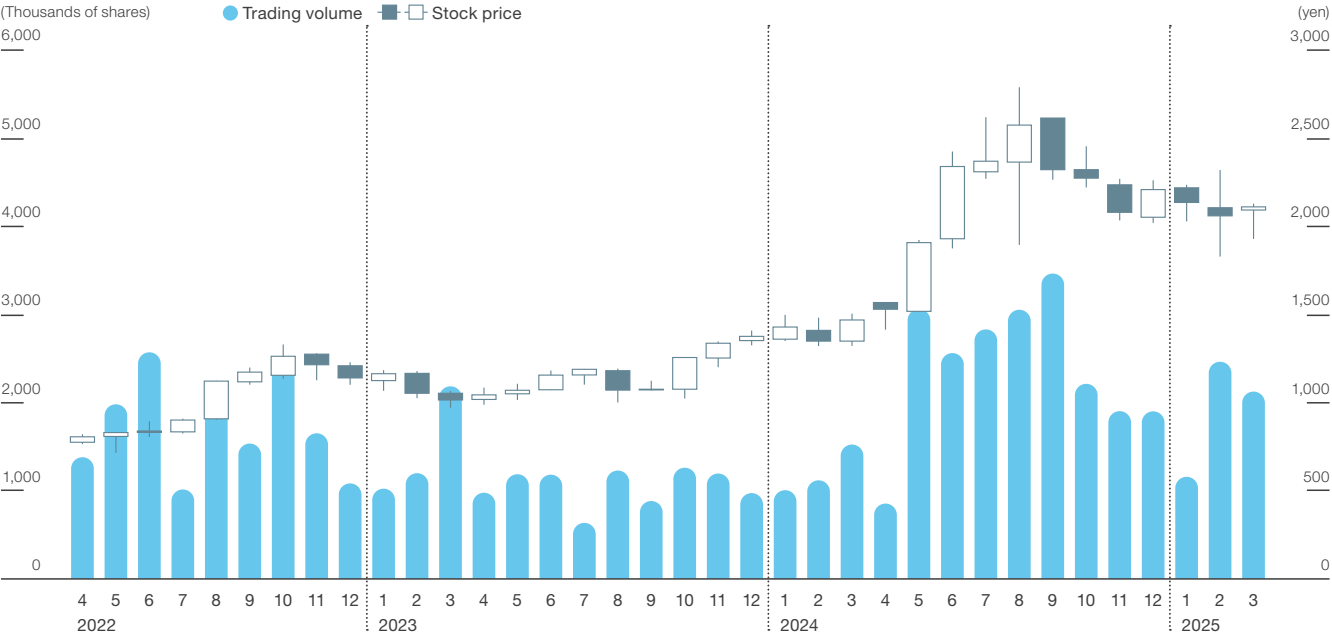
## Status of shares

Total number of shares authorized to be issued <sup>*1</sup>	128,000,000 shares
Total number of shares issued <sup>*1</sup>	35,788,178 shares
Number of shareholders	18,718

## Major shareholders<sup>\*2</sup>

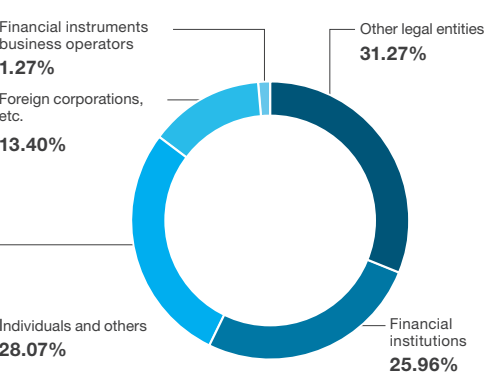
Shareholder name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Mitsui Chemicals, Inc.	7,160	20.14
The Master Trust Bank of Japan, Ltd. (Trust account)	3,591	10.10
The Bank of Kyoto, Ltd.	1,424	4.00
Nippon Life Insurance Company	1,292	3.63
Custody Bank of Japan, Ltd. (Trust account)	1,249	3.51
The Shiga Bank, Ltd.	1,204	3.38
NORTHERN TRUST CO.(AVFC) RE IEDP AIF CLIENTS NON TREATY ACCOUNT	896	2.52
GOVERNMENT OF NORWAY	688	1.93
Shofu Employee Stock Ownership Association	665	1.87
SCREEN Holdings Co., Ltd.	660	1.85

## Trends in stock price and trading volume<sup>\*3</sup>



<sup>\*1</sup> The Company implemented a 2-for-1 stock split of its common stock with September 30, 2024 as the date of record.  
<sup>\*2</sup> The shareholding ratio is calculated by deducting the number of treasury shares (242,920 shares)  
<sup>\*3</sup>The Company implemented a 2-for-1 stock split of its common stock with September 30, 2024 as the date of record.  
Share prices shown are adjusted figures after the split.

## Distribution of shares by owner



## Distribution of shares by number of shares held

